COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Colin Powell Leadership Academy
Montgomery County
834 Randolph Street
Dayton, Ohio 45408

To the Board of Governance:

We have audited the accompanying financial statements of the Colin Powell Leadership Academy, Montgomery County, (the School), as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2004 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

March 9, 2004

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

BALANCE SHEET
AS OF JUNE 30, 2003

ASSETS	
Current Assets	
Pooled Cash and Cash Equivalents	$32,816
Intergovernmental Receivable	158,266
Total Current Assets	191,082
Non-Current Assets	
Fixed Assets (Net of Accumulated Depreciation)	41,943
Total Assets	233,025
LIABILITIES AND EQUITY	
Liabilities	
Accounts Payable	57,324
Accrued Wages and Benefits Payable	27,568
Intergovernmental Payable	58,248
Total Liabilities	143,140
Fund Equity	
Retained Earnings	89,885
Total Liabilities and Fund Equity	$233,025

The accompanying notes to the financial statements are an integral part of this statement.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003

Operating Revenues	
Sales	$2,806
State Foundation	1,176,334
Disadvantage Pupil Impact Aid	226,076
Other	13,613
Total Operating Revenues	1,418,829
Operating Expenses	
Salaries	812,297
Fringe Benefits	230,287
Purchased Services	571,202
Materials and Supplies	156,059
Depreciation	7,894
Other Operating Expenses	64,121
Total Operating Expenses	1,841,860
Operating Loss	(423,031)
Non-Operating Revenues	
Interest	699
Federal & State Grants	494,115
Private Grants	40,000
Gifts and Donations	12,235
Loss on Disposal of Fixed Assets	(7,665)
Total Non-Operating Revenues	539,384
Net Income	116,353
Accumulated Deficit at Beginning of Year	(26,468)
Retained Earnings at End of Year	$89,885

The accompanying notes to the financial statements are an integral part of this statement.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Sales	$2,806
Cash Received from State of Ohio	1,419,523
Cash Received from Miscellaneous Sources	13,612
Cash Payments to Suppliers for Goods and Services	(784,697)
Cash Payments for Employee Benefits and Wages	(1,045,855)
Cash Payments for Other Operating Expenses	(64,061)
Net Cash Used For Operating Activities	(458,672)
Cash Flows from Noncapital Financing Activities	
Cash Received from Federal and State Grants	439,757
Cash Received from Private Grants	40,000
Cash Received from Gifts and Donations	8,359
Net Cash Received from Noncapital Financing Activities	488,116
Cash Flows Used For Capital and Related Financing Activities	
Cash Used For Capital Outlay	(13,260)
Cash Flows from Noncapital Investing Activities	
Cash Received from Interest	699
Net Increase in Cash	16,883
Cash at Beginning of Year	15,933
Cash at End of Year	32,816
Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	(423,031)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities	
Depreciation	7,894
Change in Assets and Liabilities	
Increase in Accounts Payable	8,002
(Decrease) in Accrued Wages and Benefits Payable	(28,074)
Increase in Intergovernmental Payable	29,373
(Decrease) in Other Accrued Liabilities	(52,836)
Net Cash Used For Operating Activities	($458,672)

The accompanying notes to the financial statements are an integral part of this statement.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Colin Powell Leadership Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through seven. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the State Board of Education (the Sponsor) for a period of five years. The School operates under the direction of an eleven-member Governing Board. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Schools' one facility staffed by 11 non-certified and 12 certified full-time equivalent teaching personnel who provide instructional services to 246 students. A Superintendent, Business Manager and Treasurer handle administrative responsibilities. The School contracted with Kids 2000 to perform tutoring, mentoring and extended educational services. One member of Kids 2000 also serves on the School's Governing Board. The School has entered into a Land Lease Agreement with the Dayton Boys and Girls Club. The Executive Director of this organization also sits on the School's Governing Board. In addition, non-payroll related payments were made to the CEO and COO of the School. Such related party transactions will be further discussed in Note 13. The School is also associated with the Metropolitan Education Computer Association. It is a computer consortium of area schools sharing computer resources. (See Note 14.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. Basis of Presentation – Enterprise Accounting

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general pubic on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liability are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The full accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code chapter 5705, unless specifically provided by the School's contract with its sponsor.

The contract agreement between the School and its sponsor, does not prescribe a budgetary process for the School. However, the Governing Board approves annual appropriations for the School and the contract agreement indicates that the school's treasurer and principal will compare budgeted income and expense to actual figures on an on-going basis with comparison reports being reviewed by the Governing Board at least quarterly.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For purposes of the statement of cash flow and for presentation of the balance sheet, investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of vehicles, furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program and the State Special Education Program (through the State Foundation Program). Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The school also participates in the Charter School Grant Program through the Ohio Department of Education. Under this program, Colin Powell received $100,476 during the 2003 fiscal year.

H. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2003, are reported as accrued liabilities in the accompanying financial statements.

3. DEPOSITS

The following information classifies deposits by category of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At June 30, 2003, the carrying amount of the Schools deposits were $32,816 and the bank balance was $73,431 all of which was covered by federal depository insurance.

4. RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental grants. All receivables are considered collectible in full.

A summary of intergovernmental receivables follows:

Title I	$90,845
Title V	1,680
Title IV	809
Title II-A	5,957
Title II-D	4,280
Special IDEA	4,807
School Lunch	1,658
Public Charter Schools Program	48,230
Total	$158,266

5. FIXED ASSETS

A summary of the School's fixed assets as of June 30, 2003, follows:

Furniture and equipment	$47,037
Vehicles	2,800
Total	49,837
Less accumulated depreciation	(7,894)
Net Fixed Assets	$41,943

The school does not take depreciation in the year of acquisition.

6. RISK MANAGEMENT

A. Property and Liability

The school is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Buildings and contents are covered under Westfield Insurance Company with a $1,000 deductible. Electronic data processing equipment is covered under Westfield Insurance Company with a $1,000 deductible. Colin Powell School carries liability insurance with Westfield Insurance Company of $1,000,000 single occurrence and $2,000,000 aggregate. Settled claims have not exceeded this commercial coverage in fiscal year 2003.

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School employees Retirement System, 300 E. Broad St., Columbus, Ohio 43215-3746 or by calling 614-222-5833.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For Fiscal Year 2002, 5.46 per cent was used to fund pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, and 2002 were $18,672 and $15,614 respectively. Nineteen percent has been contributed for the year.

B. State Teachers Retirement System

The School contributes to the State Teacher's Retirement System of Ohio (STRS), a cost- sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost of living adjustments, and death and survivor benefits to members and beneficiaries. STRS issues a publicly available, stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad St., Columbus, Ohio, 43215-3371 or by calling 614-227-4090.

New members have a choice of three retirement plans, a defined benefit (DB) Plan, a defined contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio Funds times an actuarially determined annuity factor. The DC Plan allow members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or combined plan. Existing members with less than 5 years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the exiting DB plan into the DC Plan or the combined plan.

7. DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System (Continued)

This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may quality for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for employee and employer contributions. The School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003 and 2002 were $ 55,354 and $38,894. Seventy-five percent has been contributed for fiscal year 2003. Contributions to the DC and combined plans for Fiscal Year 2003 were $88 made by the school and $78 made by the plan members.

8. POST EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the Fiscal Year ended June 30, 2002 the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $ 4,258 for Fiscal Year 2003.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was $ 2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were $352,301,000 and STRS had 108,294 eligible benefit recipients.

8. POST EMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003 employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 per cent from Fiscal Year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2003 the minimum pay was established at $14,500. The School's amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled $17,083.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were $204,930,737 and the target level was $307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of $303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining sick leave components are derived from Governing Board Policy. Teachers, administrators, and classified employees are granted sick leave in the amount of 5 days per year with no accumulated sick leave balance. Also, there is no personal or vacation leave benefit.

B. Health Care Benefits

The School provides life insurance and accidental death and dismemberment insurance to employees through United Life Insurance Company. The School provides health insurance coverage through United Health Care of Ohio, Inc. Employee share of the total premium amounts to 20% of the annual policy. Said policy varies according the age and number of dependents on the employee's policy. Dental insurance is provided to aid eligible employees through a plan administered by Superior Dental Care.

10. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's School Funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school funding scheme that is thorough and efficient…"

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

11. LEASES

The school leases the school building under a 60 month operating lease. The lease started on September 1, 2001 and will end August 30, 2006. The lease payments are $17,612 per month. Total rental payments for this lease of the building for Fiscal Year 2003 were $246,568. For fiscal year 2004 through fiscal year 2007 rental payments are listed below.

The school leases real estate under a one year operating lease with a renewal option for four more periods of one year each. The first year operating lease started on September 1, 2001 and expired on September 30, 2002 and each renewal will follow the same start and end dates respectively. Each year rent will be increased by no less than $1,000. The actual increases are unknown. It is assumed that the school will renew the lease of the four renewal periods since the school building is being leased for five years. Total rental payments for the lease of the land for 2003 were $9,500. For fiscal year 2004 through 2007 rental payments are as follows:

Fiscal Year	Building	Land	Total
2004	$211,344	$10,500	$221,844
2005	211,344	11,500	222,844
2006	211,344	12,500	223,844
2007	35,224	1,000	36,224
			$704,756

12. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the Grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to insure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in the over payment to the School in the amount of $17,113. This amount is reflected in the intergovernmental payable figure at June 30, 2003.

12. CONTINGENCIES (Continued)

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging that Ohio Community (i.e., Charter) Schools Program violates the State Constitution and State Laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18th, 2003. The effect of this suit, if any, on the School is not presently determinable.

13. RELATED PARTIES

A. Kids 2000

The School contracted with Kids 2000 to perform tutoring, mentoring and extended educational services. One member of Kids 2000 also serves on the School's Governing Board. Total payments made for these services during the fiscal year ended June 30, 2003 were $177,979.

B. Boys and Girls Club

The School has entered into a Land Lease Agreement with the Dayton Boys and Girls Club. The Executive Director of this Club also serves on the School's Governing Board. Further information regarding the land lease is available in Note 11.

14. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Education Computer Association – The School is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium of area schools sharing computer resources. MDECA is an association of public schools in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative functions among member schools. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium.

15. COMPLIANCE

The School did not comply with various requirements including entering a lease agreement which did not contain a fiscal funding or cancellation clause; failure to file final expenditure report by the deadline for the Public Charter School Program; and failure to maintain fixed asset records for federal programs.

COLIN POWELL LEADERSHIP ACADEMY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	05PU02	10.553	$11,493	$7,627
	05PU03		14,388	14,815
Total School Breakfast Program			25,881	22,442
National School Lunch Program	LLP402	10.555	25,943	15,078
	LLP403		39,990	41,221
Total National School Lunch Program			65,933	56,299
Total U.S. Department of Agriculture - Nutrition Cluster			91,814	78,741
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Grants to States (IDEA Part B)	6BSF03	84.027	4,952	4,793
Grants to Local Educational Agencies (ESEA Title I)	C1S102	84.010	54,762	44,505
	C1S103		115,489	158,267
Total ESEA Title I			170,251	202,772
Drug-Free Schools Grant (Title IVA)	DRS103	84.186	667	
Eisenhowewr Professional Development	MSS102	84.281	328	2,106
Public Charter Schools Program (Title X, Part C of ESEA)	CHS103	84.282	100,476	95,030
Innovative Educational Program	C2S102	84.298	823	1,159
	C2S103		322	
Total Innovative Educational Program			1,145	1,159
Technology Literacy Challenge (Title IID)	TJS103	84.318	644	
Class Size Reduction (Title VIR)	CRS102	84.340	1,110	1,875
Teacher Quality Enhancement	TRS103	84.367	13,995	12,160
Total Department of Education			293,568	319,895
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed Through Ohio Department of Education:				
Temporary Assistance to Needy Families	N/A	93.558	41,988	26,971
Totals			$427,370	$425,607

The accompanying notes to the financial statements are an integral part of this schedule.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Colin Powell Leadership Academy
Montgomery County
834 Randolph Street
Dayton, Ohio 45408

To the Board of Governance:

We have audited the financial statements of Colin Powell Leadership Academy, Montgomery County, (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated March 9, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated March 9, 2004.

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This report is intended for the information and use of the audit committee, management, Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

March 9, 2004

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Colin Powell Leadership Academy
Montgomery County
834 Randolph Street
Dayton, Ohio 45408

To the Board of Governance:

Compliance

We have audited the compliance of Colin Powell Leadership Academy, Montgomery County, (the School), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as items 2003-002 and 2003-003. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the School in a separate letter dated March 9, 2004.

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Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

March 9, 2004

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Grants to Local Educational Agencies (ESEA Title I): CFDA #84.010 Public Charter Schools Program (Title X, Part C of ESEA): CFDA #84.282
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2003

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

Auditor of State Bulletin 2000-005 states that lease agreements which extend beyond the current fiscal year should contain a fiscal funding or cancellation clause. Such a clause permits the School to terminate the agreement on an annual basis if funds are not appropriated to make required payments. The School's lease for the school building was for a period of sixty months, but did not contain the required fiscal funding or cancellation clause. The lack of this clause may result in the School being obligated for a lease without a means of payment and/or a means of cancellation.

The School should negotiate with the leaser concerning this clause to amend the lease to comply with the requirement above, and implement policies to prevent entering into any other lease agreements that do not include the required clause.

See federal finding 2003-003 below; this finding is also required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-002
CFDA Title and Number	Public Charter Schools Program (Title X, Part C of ESEA) / #84.282
Federal Award Number / Year	CHS103
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE FINDING

Ohio Department of Education Federal Fiscal Report Procedures #1 states that the final expenditure report is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 60 days after the end of the project period. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds until the project is closed. The School failed to file a final expenditure report for the Charter School Grant for the fiscal year ended September 30, 2003 project by the November 30, 2003 deadline. Such final expenditure report was completed on December 22, 2003. The School should review all grant agreements and Ohio Department of Education Federal Fiscal Report Procedures to monitor compliance with reporting deadlines to avoid the potential for suspension of federal funding.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2003

Finding Number	2003-003
CFDA Title and Number	Grants to Local Educational Agencies (ESEA Title I) / #84.010
Federal Award Number / Year	C1S102 / 2002 C1S103 / 2003
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE FINDING

34 Code of Federal Regulations (CFR) 80.32 requires Local Education Agencies to follow State laws and procedures for equipment acquired under a sub grant from a State. The Ohio Department of Education has adopted the general requirements of the agency codification of the A-102 Common Rule and has imposed those requirements on its sub recipients.

In pertinent part the agency codification of the A-102 Common Rule provides that:

Equipment should be used in the program which acquired it or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value in excess of $5,000 is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return. (34 CFR 80.32)

In addition, the School's adopted fixed asset policy stated a full year of depreciation will be charged in the year of acquisition. The School's notes to the financial statements state the School did not take depreciation in the year of acquisition. The School should either follow their fixed asset policy, or formally revise it.

The School's Board approved fixed asset policy stated the following information shall be maintained for all fixed assets:

- Description and/or I.D. number,
- Purchase price or historical cost and date acquired,
- Estimated useful life and salvage value,
- Replacement cost,
- Accumulated depreciation,
- Method of acquisition,
- Manner of disposal,
- Whether asset is covered by maintenance agreement.

A complete fixed asset listing, including all required information, was not maintained. 57% of the items on the fixed asset listing were not tagged. Further, the fixed asset policy stated the purchase and disposal of fixed assets shall be initiated by the Director or his/her designee and required notifying the Treasurer of such. 23% of the items booked as fixed assets could not be located, or were no longer being used by the School, and the Treasurer had not been notified to remove such from the fixed assets, which resulted in adjustments to the accompanying financial statements.

NONCOMPLIANCE FINDING 2003-003 (Continued)

Additionally, the School did not list fund numbers on its fixed asset inventory list. Items purchased with Title I federal funds during the past two grant years were not specifically identified which could result in federal equipment not being used for an appropriate program or being disposed of without following the above rule.

The School's fixed asset policy designated the Treasurer as the asset manager, who was responsible for the development and maintenance of the fixed asset accounting system. The Treasurer should create and maintain a detailed fixed asset listing, including the abovementioned required information, and the location of the fixed assets and fund they were purchased from. All assets over the threshold established in the fixed asset policy ($500) should be tagged to provide greater control over fixed assets, addition/disposal forms should be created and utilized to notify the Treasurer of fixed asset changes, and procedures should be implemented to provide for the security of fixed assets. Finally, periodic physical inventories should be performed and reconciled to the fixed asset records.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2003

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-10357-001	Auditor of State Bulletin 2000-05 - Failure of building lease to contain fiscal funding or cancellation clause.	No	Not Corrected – Repeated as finding 2003-001
2002-10357-002	Article IV of School Bylaws - Failure to appoint a non-voting teacher to the Board.	Yes	
2002-10357-003	Accumulated Deficit	Yes	
2002-10357-004	ORC 3314.03(A)(11)(g) - Filing annual report of activities.	Yes	
2002-10357-005	Questioned Cost - Failure to comply with grant guidelines.	Yes	

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COLIN POWELL LEADERSHIP ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 11, 2004