

DISTRICT OF COLUMBIA
PUBLIC CHARTER SCHOOL BOARD

WASHINGTON, DC

AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2001

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones
Certified Public Accountants

District of Columbia Public
~~Charter School Board~~
1436 U Street, NW, Suite 401
Washington, DC 20009

Board Members:

We have audited the accompanying financial statements of the District of Columbia Public Charter School Board, a component unit of the government of the District of Columbia, as of and for the year ended September 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District of Columbia Public Charter School Board'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 District of Columbia Public Charter School Board, as of September 30, 2001, and the results of its operations 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 February 22, 2002, on our consideration of the District of Columbia Public Charter School Board'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.

Kendall, Prebola and Jones

Certified Public Accountants

Bedford, Pennsylvania
February 22, 2002

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2001

	<u>Governmental</u> <u>Fund Type</u>	<u>Account</u> <u>Group</u>	<u>Totals</u>
	<u>Special</u> <u>Revenue</u>	<u>General</u> <u>Fixed Asset</u>	<u>(Memorandum</u> <u>Only)</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash (Note 2)	\$ 374,831	\$ -	\$ 374,831
Accounts Receivable	<u>10,742</u>	<u>-</u>	<u>10,742</u>
Total Current Assets	<u>\$ 385,573</u>	<u>\$ -</u>	<u>\$ 385,573</u>
<u>Other Assets:</u>			
Fixed Assets (Note 3)	\$ -	\$ 174,082	\$ 174,082
Deposits	<u>11,887</u>	<u>-</u>	<u>11,887</u>
Total Other Assets	<u>\$ 11,887</u>	<u>\$ 174,082</u>	<u>\$ 185,969</u>
TOTAL ASSETS	<u>\$ 397,460</u>	<u>\$ 174,082</u>	<u>\$ 571,542</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 20,890	\$ -	\$ 20,890
Accrued Expenses	6,299	-	6,299
Advance of Appropriation	120,000	-	120,000
Deferred Contract Fee	<u>45,888</u>	<u>-</u>	<u>45,888</u>
Total Liabilities	<u>\$ 193,077</u>	<u>\$ -</u>	<u>\$ 193,077</u>
<u>Fund Balances and Other Credits:</u>			
Investment in General Fixed Assets	\$ -	\$ 174,082	\$ 174,082
Unreserved Fund Balance	192,496	-	192,496
Fund Balance Reserved for Deposits	<u>11,887</u>	<u>-</u>	<u>11,887</u>
Total Fund Balances and Other Credits	<u>\$ 204,383</u>	<u>\$ 174,082</u>	<u>\$ 378,465</u>
TOTAL LIABILITIES, FUND BALANCES AND OTHER CREDITS	<u>\$ 397,460</u>	<u>\$ 174,082</u>	<u>\$ 571,542</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2001

Revenues:

Local Appropriations	\$ 480,000
Administrative Fees (Note 4)	<u>275,602</u>
Total Revenues	<u>\$ 755,602</u>

Expenditures:

Current:

Charter School Program:

Wages	\$ 315,598
Fringe Benefits	44,858
Temporary Help	19,793
Professional Development	2,884
Consultants	176,106
Legal and Audit	4,476
Travel, Meetings and Conferences	27,146
Office Rent and Utilities	56,997
Bookkeeping and Payroll Fees	14,018
Postage and Shipping	4,771
Printing and Duplicating	11,957
Telephone	11,364
Electronic Communications	5,148
Subscriptions, Books and Dues	3,410
Student Test Booklets	22,765
Maintenance and Equipment Rental	7,766
Office Supplies and Expense	9,450
Insurance	3,206
Capital Outlay	<u>18,021</u>
Total Expenditures	<u>\$ 759,734</u>
Excess of Revenues Over/(Under) Expenditures	\$ (4,132)
Fund Balance, October 1, 2000	<u>208,515</u>
Fund Balance, September 30, 2001	<u>\$ 204,383</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

The District of Columbia Public Charter School Board, along with the District of Columbia Board of Education, was authorized by the U.S. Congress in the District of Columbia School Reform Act of 1995 to grant charters to establish public charter schools and to provide oversight of such schools in Washington, DC. Legislation has established the term of the Board as perpetual in nature.

The Mayor of the District of Columbia appointed members of the D.C. Public Charter School Board from nominees presented to him by the U.S. Secretary of Education. The Board has been operating since February 1997 and has established a goal of helping to improve education for children, youth, and adults in the District of Columbia by chartering public schools that work.

The Board reviews applications to develop public charter schools; awards or denies requests for charters; monitors the operations of public charter schools, as well as the progress of students in those schools; and renews charters, or withdraws and revokes charters of schools that fall short of their goals. The Board receives local appropriations from the Government of the District of Columbia and administrative fees from the schools that it charters.

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity -

In accordance with GASB Statement No. 14 "The Financial Reporting Entity," the District of Columbia Public Charter School Board has reviewed and evaluated the applicable criteria and determined that there are no agencies that should be included as component units in these financial statements.

Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Furthermore, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The Government of the District of Columbia is responsible for the selection of the governing authority and is considered to be accountable for the fiscal matters of the District of Columbia Public Charter School Board. These items were considered in determining that the District of Columbia Public Charter School Board functions as a component unit of the Government of the District of Columbia.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation - Fund Accounting -

~~The accounts of the District of Columbia Public Charter School Board are organized on the basis of a fund (a special revenue fund as explained below) and account group, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purpose for which the funding is to be spent. An account group is used to establish accounting control and accountability for the Board's General Fixed Assets.~~

The following fund type and account group is maintained by the District of Columbia Public Charter School Board.

Governmental Fund Type:

1. Special Revenue

A special revenue fund is used to account for the operations of the Board which is funded by a specific revenue source that is restricted to expenditures for the specified purpose of the organization.

Account Group:

The account group is used to establish accounting control and accountability for general fixed assets.

The account group is not a fund. The account group is designed to measure only the financial position of the account group and not to provide results of operations.

1. General Fixed Assets Account Group

The general fixed asset account group is used to record the investment of the Board in personal property. Fixed assets are recorded as expenditures at the time of purchase and such assets are capitalized at cost in the general fixed assets group of accounts. The Board maintains a detailed record of fixed assets, and makes adjustments accordingly based on renewals and disposals. Depreciation of fixed assets is not considered.

C. Measurement Focus and Basis of Accounting -

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made,

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting – (Continued)

regardless of the measurement focus applied. The special revenue fund is accounted for using a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting.

Under the modified accrued basis of accounting, revenues are recognized when susceptible to accrual: i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

D. Budgets and Budgetary Accounting -

The District of Columbia Public Charter School Board is not required by law to formally prepare and adopt an annual operating budget, and as such a budget to actual comparison has not been presented in these financial statements.

E. Total Columns on Combined Statements -

These columns captioned Memorandum Only are presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles.

Note 2 - Cash:

Cash at September 30, 2001 consisted of a checking account with a carrying amount of \$374,831 and a bank balance of \$396,212. The entire bank balance throughout the year was covered by financial depository insurance or by collateral held by the pledging financial institution's trust department or agent in the Board's name.

Note 3 - Changes in General Fixed Assets:

The changes in the general fixed asset account group during the year ended September 30, 2001 was as follows:

Balance, October 1, 2000	\$ 156,061
Current Year Purchases	<u>18,021</u>
Balance, September 30, 2001	<u>\$ 174,082</u>

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 4 - Administrative Fees:

As authorized by the District of Columbia School Reform Act, the Charter School Board receives an administrative fee from each Charter School at an amount of one half of one percent of the annual school budget. These fees are recognized as revenue in the fiscal year to which the fees apply. During the year ended September 30, 2001, \$275,602 of administrative fees were earned.

Note 5 - Commitments:

The Board is committed under a noncancelable operating lease to make future minimum payments for office space usage as follows:

<u>Year Ending September 30</u>	
2002	\$ 59,091
2003	60,272
2004	61,478
2005	52,083
2006	<u>-</u>
Total Future Minimum Lease Payments	<u>\$ 232,924</u>

The District of Columbia Public Charter School Board leases its office space under an operating lease which expires on July 31, 2005. Future minimum rental payments are noted above. Rent expense for the year ended September 30, 2001 was \$53,120.

Note 6 - Economic Dependency:

The District of Columbia Public Charter School Board derived sixty-four percent (64%) of its current year revenues from appropriations as enacted by the District of Columbia Appropriation Bill.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 7 - Pension Plan:

The District of Columbia Public Charter School Board provides pension benefits for its employees through a defined contribution retirement plan (Simple IRA) which is administered by American Express Financial Advisors. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to \$6,000 per year. The Board contributes a match of 100% up to the first 3% of salary. No contributions are made by the Board for employees' contributions in excess of 3%. On the plan effective date, which began in June 1999, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions and contribution requirements are established and may be amended by the board members of the District of Columbia Public Charter School Board.

The Board's total covered payroll for the year ended September 30, 2001 was \$331,927. The Board's contributions on all covered employees amounted to \$8,704 and employee contributions were \$14,401.

Kendall, Prebola and Jones
Certified Public Accountants

District of Columbia Public
Charter School Board
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Washington, DC 20009

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the District of Columbia Public Charter School Board, a component unit of the government of the District of Columbia as of and for the year ended September 30, 2001, and have issued our report thereon dated February 22, 2002. 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 District of Columbia Public Charter School Board'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District of Columbia Public Charter School Board'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 that we have considered to be material weaknesses.

This report is intended solely for the information of management and local awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kendall, Prebola and Jones

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 22, 2002

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2001

There were no findings in the current year.
