

DISTRICT OF COLUMBIA
PUBLIC CHARTER SCHOOL BOARD

WASHINGTON, DC

AUDIT REPORT

FOR THE PERIOD ENDED SEPTEMBER 30, 1997

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones
Certified Public Accountants

District of Columbia Public
Charter School Board
1717 K. Street, NW, Suite 802
Washington, DC 20006

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 period ended September 30, 1997, 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 generally accepted auditing standards 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, 1997, and the results of its operations for the period then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 1998, 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.

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
March 9, 1998

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1997

	<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>			
Cash (Note 2)	\$ 5,000	\$ -	\$ 5,000
Escrow Receivable (Note 3)	138,194	-	138,194
Fixed Assets (Note 4)	<u>-</u>	<u>50,183</u>	<u>50,183</u>
Total Assets	<u>\$ 143,194</u>	<u>\$ 50,183</u>	<u>\$ 193,377</u>
<u>Liabilities:</u>			
Accounts Payable	<u>\$ 5,872</u>	<u>\$ -</u>	<u>\$ 5,872</u>
Total Liabilities	<u>\$ 5,872</u>	<u>\$ -</u>	<u>\$ 5,872</u>
<u>Fund Balances and Other Credits:</u>			
Investment in General Fixed Assets	\$ -	\$ 50,183	\$ 50,183
Unreserved Fund Balance	<u>137,322</u>	<u>-</u>	<u>137,322</u>
Total Fund Balances and Other Credits	<u>\$ 137,322</u>	<u>\$ 50,183</u>	<u>\$ 187,505</u>
Total Liabilities, Fund Balances and Other Credits	<u>\$ 143,194</u>	<u>\$ 50,183</u>	<u>\$ 193,377</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 1997

Revenues:

Local Appropriations	<u>\$ 300,000</u>
Total Revenues	<u>\$ 300,000</u>

Expenditures:

Current:

Charter School Program:	
Consultants	\$ 71,763
Travel, Meetings and Conferences	6,098
Office Rent	8,353
Management Fees	5,000
Postage	7,281
Printing and Duplicating	3,724
Telephone	900
Office and Equipment Maintenance	1,713
Office Supplies	6,735
Advertising	928
Capital Outlay	<u>50,183</u>
Total Expenditures	<u>\$ 162,678</u>
Excess of Revenues Over Expenditures	\$ 137,322
Fund Balance, February 3, 1997	<u>-</u>
Fund Balance, September 30, 1997	<u>\$ 137,322</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 1997

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 in Washington, DC.

The Mayor of the District of Columbia appointed members of the D.C. Public Charter School Board from a list of 15 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. Their belief is that public charter schools are an integral part of education reform in the District of Columbia and that these independent public schools can provide real-life models of school designs that work and can offer viable public school alternatives to students and parents.

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 funding in the form of local appropriations from the Government of the District of Columbia.

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.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 1997

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

A. Reporting Entity - (Continued)

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.

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.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 1997

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

B. Basis of Presentation - Fund Accounting - (Continued)

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, 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.

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, 1997 consisted of a checking account with a carrying amount of \$5,000 and a bank balance of \$5,000. 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.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 1997

Note 3 - Escrow Receivable:

The Institute for Educational Leadership acts as a fiscal agent on behalf of the District of Columbia Public Charter School Board. The funds received by the Board are accounted for separately by the fiscal agent. As of September 30, 1997, the amount of funds held in escrow on behalf of the District of Columbia Public Charter School Board was \$138,194. The escrow receivable is considered to be fully collectible by management. During the period ended September 30, 1997, \$5,000 was paid to the Institute for Educational Leadership as fiscal agent fees.

The amount of escrow receivable is at risk due to the funds being held by a non-bonded fiscal agent.

Note 4 - Changes in General Fixed Assets:

The changes in the general fixed assets account group during the period ended September 30, 1997 were as follows:

Acquisitions during the Period Ended September 30, 1997:

Computer Equipment	\$ 25,268
Office Furniture and Equipment	<u>24,915</u>
Balance, September 30, 1997	<u>\$ 50,183</u>

Note 5 - Commitments:

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

<u>Period Ending September 30</u>	<u>Operating</u>
1998	\$ 25,058
1999	25,058
2000	18,794
2001	-
2002	<u>-</u>
Total Future Minimum Lease Payments	<u>\$ 68,910</u>

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 1997

Note 5 - Commitments: (Continued)

The District of Columbia Public Charter School Board leases its office space ~~under an operating lease which expires on June 30, 2000. Future minimum rental~~ payments are noted above. In addition, the Board is obligated to pay an increase in rent beginning with the second year of the lease term based on the percentage increase of the Consumer Price Index. An estimate of the annual increase has not been provided for in the above. Rent expense for the period ended September 30, 1997 related to this lease was \$8,353.

The Board is also committed to pay to the Institute for Educational Leadership a fee for fiscal management services. The monthly fee is \$1,250. The agreement began on June 1, 1997 and is scheduled to end on October 15, 1998.

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Board Members
District of Columbia Public
Charter School Board
1717 K-Street, NW, Suite 802
Washington, DC 20006

**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 period ended September 30, 1997, and have issued our report thereon dated March 9, 1998. We conducted our audit in accordance with generally accepted auditing standards 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 and 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 for the information of management, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Kendall, Prebola and Jones

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
March 9, 1998