GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Dave Yost • Auditor of State

GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

General Chappie James Leadership Academy
Montgomery County
120 Knox Avenue
Dayton, OH 45427

To the Board of Directors:

We have audited the accompanying financial statements of General Chappie James Leadership Academy, Montgomery County, (the Academy), as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 respective financial position of General Chappie James Leadership Academy, as of June 30, 2010, and the respective changes in financial position and its 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 January 27, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Dave Yost

Dave Yost
Auditor of State

January 27, 2011

The discussion and analysis of General Chappie James Leadership Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2010 are as follows:

In total, net assets were $97,199 at June 30, 2010.

The Academy had operating revenues of $567,338 and operating expenses of $915,556. The Academy also received $252,113 in Federal grants, $3,000 in State grants and $61 in interest. The Academy had a loss on the disposal of capital assets of $3,703. In total, net assets decreased $96,747 for the fiscal year.

Using the Basic Financial Statements

This annual report consists of the management discussion and analysis, the basic financial statements and the notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets and a Statement of Cash Flows. These statements are organized so the reader can understand the Academy's financial activities.

Reporting the Academy's Financial Activities

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. These documents look at all financial transactions and ask the question, "How did we do financially during the fiscal year?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting records revenue when earned and expenses when incurred regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

Table 1 provides a summary of the Academy's net assets as of June 30, 2010 and a comparative analysis to the net assets at June 30, 2009.

Table 1
Net Assets

	June 30, 2010	June 30, 2009
Assets:		
Current and Other Assets	$73,647	$204,998
Capital Assets, Net	200,153	69,980
Total Assets	273,800	274,978
Liabilities:		
Current Liabilities	89,824	81,032
Non-Current Portion of Loan Payable	86,777	
Total Liabilities	176,601	81,032
Net Assets:		
Invested in Capital Assets	109,153	69,980
Restricted for Special Purposes	(5,542)	82,392
Unrestricted	(6,412)	41,574
Total Net Assets	$97,199	$193,946

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's assets exceeded its liabilities by $97,199. Total assets are attributable to ending cash balances of the Academy's funds of $15,359 and intergovernmental receivables of $58,288, mostly from federal grants. The Academy's Capital Assets of $200,153 consists of a building, machinery and equipment, and furniture and fixtures less accumulated depreciation on these items. Capital Assets increased due to the purchase of a building during fiscal year 2010. Total liabilities (as noted above in the amount of $176,601) are predominately attributable to accrued wages, intergovernmental payables, and loan payable at the end of the year. Intergovernmental payables increased due to a large payable owed to the Ohio Department of Education from its review of the enrollment data and full-time equivalency calculations (see Note 14). Net assets restricted for special purposes represent federal and state grant monies. Restricted net assets decreased due to the grant funds being mostly expensed at fiscal year-end. Unrestricted net assets decreased mostly due to the decrease in the State Foundation.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, as well as a listing of revenues and expenditures and a comparison to the period ended June 30, 2009.

Table 2
Changes in Net Assets

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Operating Revenues		
State Foundation	$555,470	$589,753
Other Operating Revenues	11,868	6,931
Total Operating Revenues	567,338	596,684
Non- Operating Revenues		
Federal Grants	252,113	110,882
State Grants	3,000	3,000
Interest	61	1,338
Total Non-Operating Revenues	255,174	115,220
Total Revenues	822,512	711,904

(Continued)

Table 2
Changes in Net Assets
(Continued)

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Operating Expenses		
Salaries	306,095	316,771
Fringe Benefits	87,767	78,923
Purchased Services	421,290	192,340
Materials and Supplies	50,449	57,015
Depreciation	13,869	12,995
Other	36,086	34,888
Total Operating Expenses	915,556	692,932
Non-Operating Expenses	3,703	
Total Expenses	919,259	692,932
Change in Net Assets	($96,747)	$ 18,972

Community schools receive no support from taxes. The State Foundation is, by far, the primary support for the Academy's students. State Foundation payments accounted for approximately 68 percent of all revenues. Federal and state grants accounted for another 31 percent of all revenues. Federal grants increased because of American Recovery and Reinvestment Act funds received. Purchased services expenditures also increased mostly from the use of the American Recovery and Reinvestment Act funds and the use of the remaining balance of the 2009 federal grants.

Capital Assets

At June 30, 2010, the Academy had $200,153 invested in buildings, machinery and equipment, and furniture and fixtures.

For more information on capital assets, see Note 4 of the Basic Financial Statements.

Debt

On June 24, 2010, the Academy took out a loan in the amount of $91,000 for the purpose of purchasing a school building. For further information regarding the Academy's debt, refer to Note 11.

Current Financial Issues and Concerns

The Academy is sponsored by the Lucas County Educational Service Center. The Academy relies on the State Foundation Funds as well as State Grants to provide the monies necessary to begin and carry on the activities of the Academy. The administration considers many factors when setting the Academy's 2011 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined based on the student count and the foundation allowance per pupil. The 2011 fiscal year budget was based on an estimated enrollment of 120 students. Staffing contracts have been approved based on current enrollment. Additional computer labs will be opened and additional staff added as enrollment increases. The Academy will amend the budget to reflect actual Academy resources and related expenditures.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tracy Jarvis, Treasurer, General Chappie James Leadership Academy, 120 Knox Avenue, Dayton, OH 45427.

GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$15,359
Intergovernmental Receivable	58,288
Total Current Assets	73,647
Non-Current Assets:	
Capital Assets, Net	200,153
Total Assets	273,800
Liabilities:	
Current Liabilities:	
Accounts Payable	11,476
Accrued Wages and Payable	23,254
Intergovernmental Payable	50,871
Current Portion of Loan Payable	4,223
Total Current Liabilities	89,824
Non-Current Liabilities:	
Non-Current Portion of Loan Payable	86,777
Total Liabilities	176,601
Net Assets:	
Invested in Capital Assets, Net of Related Debt	109,153
Restricted for Special Purposes	(5,542)
Unrestricted	(6,412)
Total Net Assets	$97,199

See accompanying notes to the basic financial statements.

GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenues:	
State Foundation	$555,470
Other Operating Revenues	11,868
Total Operating Revenues	567,338
Operating Expenses:	
Salaries	306,095
Fringe Benefits	87,767
Purchased Services	421,290
Materials and Supplies	50,449
Depreciation	13,869
Other	36,086
Total Operating Expenses	915,556
Operating Loss	(348,218)
Non-Operating Revenues and Expenses:	
Federal Grants	252,113
State Grants	3,000
Interest	61
Loss on Disposal of Capital Assets	(3,703)
Total Non-Operating Revenues and Expenses	251,471
Change in Net Assets	(96,747)
Net Assets Beginning of Year	193,946
Net Assets End of Year	$97,199

See accompanying notes to the basic financial statements.

GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State Foundation	$594,763
Cash Received from Other Operating Activities	12,170
Cash Payments for Employee Services and Benefits	(404,984)
Cash Payments for Goods and Services	(492,070)
Cash Payments for Other Operating Expenses	(34,245)
Net Cash Used In Operating Activities	(324,366)
Cash Flows from Non-capital Financing Activities:	
Federal Grants	200,542
State Grants	3,000
Net Cash Provided by Non-capital Financing Activities	203,542
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(147,745)
Proceeds of Loan	91,000
Net Cash Used for Capital and Related Financing Activities:	(56,745)
Cash Flows from Investing Activities	
Interest	61
Net Cash Provided by Investing Activities	61
Net Decrease in Cash and Cash Equivalents	(177,508)
Cash and Cash Equivalents Beginning of Year	192,867
Cash and Cash Equivalents End of Year	15,359
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Loss	(348,218)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	13,869
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	302
Decrease in Intergovernmental Receivable	5,112
Decrease in Accounts Payable	(19,511)
Decrease in Accrued Wages and Benefits Payable	(15,538)
Increase in Intergovernmental Payable	39,618
Net Cash Used In Operating Activities	($324,366)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The General Chappie James Leadership Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to serve as a Community School to educate children. The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is a Federal tax exempt entity 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 Academy's tax-exempt status.

The Academy's mission is to honor the uniqueness of students by trusting their natural abilities to develop lifelong learners who are independent thinkers that establish a culture of diversity, respect, responsibility, service and courage.

The School began operations on September 1, 2004 under contract with the Sponsor for a period of five years ending June 30, 2009. The contract was renewed for additional one year terms ending on June 30, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Governing Authority is responsible for the operations of the Academy.

The Academy operates under the direction of a Board of Directors, consisting of not less than five members. Initially, three of the members must be chosen by the acting Board of Directors of the GCJLA, an Ohio non-profit corporation and two of the members are chosen from leaders from the broad range of disciplines representing professionals, community leaders and parents. The Directors serve a two-year term and may not serve more than three terms consecutively. At the annual meeting, the then acting Directors elect the Directors of the Corporation by majority vote. The Board of Directors is responsible for carrying out the provisions of the contract with the Sponsor, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board elects Officers annually including a Chair, Vice-Chair, Secretary and Treasurer. The Officers serve one-year terms. The Board appoints an Executive Director by majority vote who is the Chief Executive Officer of the Academy and responsible for operating the day-to-day business affairs of the Academy, subject to the supervision of the Board. The Executive Director shall serve until his or her resignation, removal, death or appointment of a successor.

The Board of Directors controls the Academy's one instructional/support facility which was staffed by four certified teachers, three classified employees and three administrators who provided instructional services to 95 students during the fiscal year ended June 30, 2010.

The Academy is associated with the Metropolitan Dayton Education Computer Association (MDECA) which is defined as a jointly governed organization. (See Note 12). The Academy is also associated with the Ohio Association of School Board Officials (OASBO) Worker's Compensation Group Rating Plan, an insurance purchasing pool. (See Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the General Chappie James Leadership Academy have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy 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 Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The most significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses are recognized at the time they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account or invested. For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

During the year, the Academy invested in STAR Ohio, an investment pool managed by the State Treasurer's Office. STAR Ohio allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of $1,000. The Academy does not have any infrastructure. Improvements are capitalized. The cost 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.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	20 years
Machinery and Equipment	4-8 years
Furniture and Fixtures	10-20 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, less any debt associated with the capital assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the Academy's ($5,542) in restricted net assets, $0 was restricted by enabling legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the statement of net assets.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are payments from the State Foundation Program and miscellaneous operating revenues. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All revenues and expenses not meeting these definitions are reported as non-operating.

J. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy participated in the State EMIS grant program during the fiscal year ended June 30, 2010. The Academy was awarded and received $3,000 from this program during the fiscal year. These monies were spent on operational costs of the Academy during fiscal year 2010.

The Academy was awarded several Federal grants in the amount of $211,480 and received $200,542 of this amount during fiscal year 2010.

Revenues from Federal and State Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

K. Estimates

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

3. DEPOSITS

A. Deposits

At June 30, 2010, the book balance of the Academy's deposits was $11,626 and the bank balance was $53,025.

B. Investments

At June 30, 2010, the Academy had $3,733 invested in STAR Ohio. STAR Ohio is an investment pool with various interest rates.

3. DEPOSITS (Continued)

Interest Rate Risk: The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. 100% of the Academy's investments at June 30, 2010, were in STAR Ohio.

Credit Risk: The Academy has no investment policy that would limit its investment choices. The Academy's investment in STAR Ohio was rated AAAm by Standard & Poor's at June 30, 2010.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 7/01/09	Additions	Deductions	Balance 6/30/10
Buildings		$130,000		$130,000
Machinery and Equipment	$48,533	17,745	$5,954	60,324
Furniture and Fixtures	56,120		1,500	54,620
Total Capital Assets	104,653	147,745	7,454	244,944
Less Accumulated Depreciation:				
Buildings		(542)		(542)
Machinery and Equipment	(22,991)	(8,524)	(3,389)	(28,126)
Furniture and Fixtures	(11,682)	(4,803)	(362)	(16,123)
Total Accumulated Depreciation	(34,673)	(13,869)	(3,751)	(44,791)
Capital Assets, Net	$69,980	$133,876	$3,703	$200,153

5. RISK MANAGEMENT

A. Property and Liability

The Academy 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 contracted personnel; and natural disasters. During the fiscal year ended June 30, 2010, the Academy had property and liability insurance through Indiana Insurance.

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

5. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2010, the Academy participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Academy by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all parrticipants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to entities that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

6. PURCHASED SERVICES

For the fiscal year ended June 30, 2010, purchased services were as follows:

Professional and Technical Services	$237,304
Property Services	56,416
Travel and Meetings	60,011
Communications	15,113
Utilities	20,621
Pupil Transportation	31,825
Total Purchased Services	$421,290

7. OPERATING LEASES

The Academy and the Jefferson Township Local School District signed an addendum to their original lease agreement which continues the terms of the original lease for 3-month periods. According to the agreement, the rent is $1,200 per month. During the period ended June 30, 2010, the Academy also made lease payments for building space to Nile River, LLC. Total lease payments made during fiscal year 2010 were $16,777.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Descriptions- The Academy contributes to the School Employees Retirement System (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 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 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations; 9.09 percent was the portion that was used to fund pension obligations for fiscal year 2009. 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 Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $17,476, $4,817 and $9,951, respectively. 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Descriptions - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a Comprehensive Annual Financial Report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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 allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five 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 existing DB Plan into the DC Plan or the Combined Plan. 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 qualify 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 member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same percent as fiscal year 2009. Contribution rates are established by the State Teachers Retirement Board, 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 member and employer contributions.

8. DEFINED BENEFIT PENSION PLANS (Continued)

The Academy's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were $22,904, $23,809 and $30,010, respectively. 86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The Academy did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2010.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was $96.40; SERS' reimbursement to retirees was $45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The School's required contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,039, $397, and $717. 100 percent has been contributed for all three fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with , Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was .46 percent of covered payroll.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were $2,694, $4,044, and $6,494. 24 % has been contributed for fiscal year 2010 and 100% has been contributed for fiscal year 2009 and 2008.

9. POSTEMPLOYMENT BENEFITS (Continued)

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll fee (800) 878-5853,or by visiting the SERS website at ohsers.org under forms and publications.

B. State Teachers Retirement System of Ohio

Plan Descriptions- The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan in included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy- Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment benefits may be deducted from employer contributions. For the fiscal year ended June 30, 2010, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund; the same percentage that was allocated for the fiscal year ended June 30, 2009. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were $1,762, $1,831 and $2,308. 86 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2009 and 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009, (the latest information available) the balance in the Fund was $2.7 billion. For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were $298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal leave and sick leave benefits are derived from employee contracts. Employees earn three personal days and nine sick days per year. The Director also earns fifteen vacation days per year. Personal leave, sick leave, and vacation do not carry over to future years.

B. Insurance Benefits

The Academy provides health and life insurance to all employees through American Community Mutual Insurance Company and Metlife.

11. LONG-TERM DEBT

During fiscal year 2010, the following long-term obligation activity occurred at the Academy:

	Balance Outstanding 30-Jun-09	Additions	Reductions	Balance Outstanding 30-Jun-10	Amount Due in One Year
Business-Type Activities					
US Bank Loan	$0	$91,000	$0	$91,000	$4,223

On June 24, 2010, the Academy took out a $91,000 loan with an annual interest rate of 5%, for the purpose of purchasing a building. The loan is payable in monthly principal and interest installments of $723. It reaches final maturity on June 24, 2015, when any unpaid principal must be repaid.

The following is a summary of the Academy's future annual debt obligation for the US Bank loan:

Year Ending June 30	Principal	Interest	Total
2011	$ 4,223	$ 4,454	$ 8,677
2012	4,439	4,238	8,677
2013	4,667	4,011	8,678
2014	4,905	3,772	8,677
2015	72,766	3,521	76,287
Total	$91,000	$19,996	$110,996

12. JOINTLY GOVERNED ORGANIZATION

The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Academy made payments of $3,400 to MDECA during the fiscal year ended June 30, 2010. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

13. INSURANCE PURCHASING POOL

The Academy participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

14. CONTINGENCIES

A. Grants

The Academy received financial assistance from state and federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

B. State Foundation 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 ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of a fiscal year-end review, the Academy owed the Ohio Department of Education $40,708. This amount is reflected as an intergovernmental payable on the statement of net assets.

15. RECEIVABLES

Receivables at June 30, 2010 consisted of intergovernmental receivables. All receivables are considered collectible in full and are expected to be received within one year. A summary of intergovernmental receivables follows:

Description	Amount
Title I Grant	$ 9,695
Title I ARRA Grant	13,243
Title I School Improvement Grant	25,715
Title VI-B ARRA Grant	8,679
STRS Overpayment	956
Total Intergovernmental Receivable	$58,288

16. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2010, the Academy paid $30,000 to Jarvis & Associates, LLC, for services provided. The Treasurer of the Academy is the President of Jarvis & Associates, LLC.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

General Chappie James Leadership Academy
Montgomery County
120 Knox Avenue
Dayton, Ohio 45427

To the Board of Directors:

We have audited the financial statements of General Chappie James Leadership Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 27, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated January 27, 2011.

We intend this report solely for the information and use of management, Board of Directors, and Lucas County ESC (Sponsor). We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

January 27, 2011

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

General Chappie James Leadership Academy
Montgomery County
120 Knox Avenue
Dayton, Ohio 45427

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether General Chappie James Leadership Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on August 14, 2008 and updated its policy on March 22, 2010.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

    1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

    2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

    3) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

    1) A procedure for reporting prohibited incidents;

    2) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

3) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

4) A procedure for documenting any prohibited incident that is reported;

5) A procedure for responding to and investigating any reported incident;

6) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

7) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost
Auditor of State

January 27, 2011

Dave Yost • Auditor of State

GENERAL CHAPPIE JAMES 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
MARCH 10, 2011

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