



Dave Yost • Auditor of State

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – As of June 30, 2011	7
Statement of Revenues, Expenses and Changes in Net Assets - For the Fiscal Year Ended June 30, 2011	8
Statement of Cash Flows – For the Fiscal Year Ended June 30, 2011	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	27

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of General Chappie James Leadership Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2011, 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 financial position of General Chappie James Leadership Academy, as of June 30, 2011, and the changes in its 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 May 29, 2012, 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.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 29, 2012

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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, 2011. 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, 2011 are as follows:

- In total, net assets were \$194,052 at June 30, 2011.
- The Academy had operating revenues of \$790,679 and operating expenses of \$1,065,168. The Academy also received \$371,226 in Federal grants, \$5,000 in State grants and \$9 in interest. The Academy paid \$4,893 in interest and fiscal charges during fiscal year 2011. In total, net assets increased \$96,853 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, 2011 and a comparative analysis to the net assets at June 30, 2010.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

**Table 1
Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets:		
Current and Other Assets	\$145,541	\$73,647
Capital Assets, Net	183,735	200,153
Total Assets	<u>329,276</u>	<u>273,800</u>
Liabilities:		
Current Liabilities	52,804	89,824
Non-Current Portion of Loan Payable	82,420	86,777
Total Liabilities	<u>135,224</u>	<u>176,601</u>
Net Assets:		
Invested in Capital Assets, net of related debt	96,556	109,153
Restricted for Special Purposes	78,602	(5,542)
Unrestricted	18,894	(6,412)
Total Net Assets	<u>\$194,052</u>	<u>\$97,199</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's assets exceeded its liabilities by \$194,052. Total assets are attributable to ending cash balances of the Academy's funds of \$47,651, prepaid insurance of \$4,930, and intergovernmental receivables of \$92,960, mostly from federal grants. The Academy's Capital Assets of \$183,735 consists of a building, machinery and equipment, and furniture and fixtures less accumulated depreciation on these items. Capital Assets decreased due to depreciation expense being higher than additions for fiscal year 2011. Total liabilities (as noted above in the amount of \$135,224) are predominately attributable to a building loan in the amount of \$87,179 and accrued wages at the end of the year. Intergovernmental payables decreased from 2010 because at June 30, 2010, the Academy had 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). For fiscal year 2011, the Academy had a receivable from the Ohio Department of Education from the review of the enrollment data and full-time equivalency calculations. Net assets restricted for special purposes represent federal and state grant monies, which increased due to large receivables in some of the federal grant funds at fiscal year-end. Unrestricted net assets increased mostly due to the increase in the State Foundation.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, as well as a listing of revenues and expenditures and a comparison to the period ended June 30, 2010.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Assets**

	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010
Operating Revenues:		
State Foundation	\$ 781,146	\$555,470
Other Operating Revenues	9,533	11,868
Total Operating Revenues	<u>790,679</u>	<u>567,338</u>
Non- Operating Revenues:		
Federal Grants	371,226	252,113
State Grants	5,000	3,000
Interest	9	61
Total Non-Operating Revenues	<u>376,235</u>	<u>255,174</u>
Total Revenues	<u>1,166,914</u>	<u>822,512</u>
Operating Expenses:		
Salaries	368,810	306,095
Fringe Benefits	78,230	87,767
Purchased Services	509,225	421,290
Materials and Supplies	54,668	50,449
Depreciation	21,443	13,869
Other	32,792	36,086
Total Operating Expenses	<u>1,065,168</u>	<u>915,556</u>
Non-Operating Expenses	<u>4,893</u>	<u>3,703</u>
Total Expenses	<u>1,070,061</u>	<u>919,259</u>
Change in Net Assets	<u>\$ 96,853</u>	<u>(\$96,747)</u>

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 67 percent of all revenues. State foundation increased due to an increase in the number of students. Federal and state grants accounted for another 32 percent of all revenues. Federal grants increased because of American Recovery and Reinvestment Act funds, Race to the Top grant funds, and Education Jobs grants received. Salaries and purchased services expenditures also increased mostly due to the additional services needed for the increased enrollment, as well as repair work done on the new building.

Capital Assets

At June 30, 2011, the Academy had \$183,735 invested in buildings, machinery and equipment, and furniture and fixtures.

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

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 2012 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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, 2011**

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$47,651
Prepaid Items	4,930
Intergovernmental Receivable	92,960
Total Current Assets	<u>145,541</u>

Non-Current Assets:

Capital Assets, Net	183,735
Total Assets	<u>\$329,276</u>

Liabilities:

Current Liabilities:

Accounts Payable	\$12,760
Accrued Wages and Benefits Payable	25,864
Intergovernmental Payable	9,421
Current Portion of Loan Payable	4,759
Total Current Liabilities	<u>52,804</u>

Non-Current Liabilities:

Non-Current Portion of Loan Payable	82,420
Total Liabilities	<u>135,224</u>

Net Assets:

Invested in Capital Assets, Net of Related Debt	96,556
Restricted for Special Purposes	78,602
Unrestricted	18,894
Total Net Assets	<u>\$194,052</u>

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, 2011**

Operating Revenues:	
State Foundation	\$781,146
Other Operating Revenues	9,533
Total Operating Revenues	<u>790,679</u>
Operating Expenses:	
Salaries	368,810
Fringe Benefits	78,230
Purchased Services	509,225
Materials and Supplies	54,668
Depreciation	21,443
Other	32,792
Total Operating Expenses	<u>1,065,168</u>
Operating Loss	<u>(274,489)</u>
Non-Operating Revenues and Expenses:	
Federal Grants	371,226
State Grants	5,000
Interest	9
Interest and Fiscal Charges	(4,893)
Total Non-Operating Revenues and Expenses	<u>371,342</u>
Change in Net Assets	96,853
Net Assets Beginning of Year	<u>97,199</u>
Net Assets End of Year	<u><u>\$194,052</u></u>

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, 2011**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State Foundation	\$726,324
Cash Received from Other Operating Activities	9,533
Cash Payments for Employee Services and Benefits	(447,760)
Cash Payments for Goods and Services	(563,691)
Cash Payments for Other Operating Expenses	<u>(35,233)</u>
Net Cash Used In Operating Activities	<u>(310,827)</u>

Cash Flows from Noncapital Financing Activities:

Federal Grants	351,849
State Grants	<u>5,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>356,849</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(5,025)
Principal Paid on Loan	(3,821)
Interest Paid on Loan	<u>(4,893)</u>
Net Cash Used for Capital and Related Financing Activities:	<u>(13,739)</u>

Cash Flows from Investing Activities

Interest	<u>9</u>
Net Cash Provided by Investing Activities	<u>9</u>

Net Increase in Cash and Cash Equivalents	32,292
Cash and Cash Equivalents Beginning of Year	<u>15,359</u>
Cash and Cash Equivalents End of Year	<u><u>47,651</u></u>

**Reconciliation of Operating Loss to Net Cash
Used In Operating Activities:**

Operating Loss	(274,489)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used In Operating Activities:**

Depreciation	21,443
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Changes in Assets and Liabilities:

Increase in Intergovernmental Receivable	(15,295)
Increase In Prepaid Assets	(4,930)
Increase in Accounts Payable	1,284
Increase in Accrued Wages and Benefits Payable	2,610
Decrease in Intergovernmental Payable	<u>(41,450)</u>
Net Cash Used In Operating Activities	<u><u>(\$310,827)</u></u>

See accompanying notes to the basic financial statements.

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**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011**

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 General Chappie James Leadership Academy, 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, four classified employees and three administrators who provided instructional services to 120 students during the fiscal year ended June 30, 2011.

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 School Boards Association (OSBA) Worker's Compensation Group Rating Plan, an insurance purchasing pool. (See Note 13).

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

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 (except 5705.391, 5 year forecast), 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, 2011.

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:

<u>Description</u>	<u>Estimated Lives</u>
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 \$78,602 in restricted net assets, \$0 was restricted by enabling legislation.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

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, 2011. The Academy was awarded and received \$5,000 from this program during the fiscal year. These monies were spent on operational costs of the Academy during fiscal year 2011.

The Academy was awarded several Federal grants in the amount of \$300,613 and received \$223,904 of this amount during fiscal year 2011.

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, 2011, the book balance of the Academy's deposits was \$47,617 and the bank balance was \$59,820.

B. Investments

At June 30, 2011, the Academy had \$34 invested in STAR Ohio. STAR Ohio is an investment pool with various interest rates.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

3. DEPOSITS (Continued)

Interest Rate Risk: State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the Academy. The Academy does not have a formal investment policy that further 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, 2011, were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Academy has no investment policy that would further limit its investment choices. The Academy's investment in STAR Ohio was rated AAAM by Standard & Poor's at June 30, 2011.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 7/01/10	Additions	Deductions	Balance 6/30/11
Buildings	\$130,000			\$130,000
Machinery and Equipment	60,324	\$ 5,025		65,349
Furniture and Fixtures	54,620			54,620
Total Capital Assets	244,944	5,025		249,969
Less Accumulated Depreciation:				
Buildings	(542)	(6,500)		(7,042)
Machinery and Equipment	(28,126)	(10,140)		(38,266)
Furniture and Fixtures	(16,123)	(4,803)		(20,926)
Total Accumulated Depreciation	(44,791)	(21,443)		(66,234)
Capital Assets, Net	<u>\$200,153</u>	<u>(\$16,418)</u>	<u>\$0</u>	<u>\$183,735</u>

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, 2011, 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

5. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2011, 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 participants 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, 2011, purchased services were as follows:

Professional and Technical Services	\$294,657
Property Services	58,642
Travel and Meetings	75,176
Communications	10,709
Utilities	43,189
Pupil Transportation	26,852
Total Purchased Services	<u>\$509,225</u>

7. OPERATING LEASES

During the period ended June 30, 2011, the Academy cancelled its lease for building space with Nile River, LLC. Total lease payments, including cancellation fees, during fiscal year 2011 were \$14,400.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 visiting the SERS website at ohsers.org under Employers/Audit Resources.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

For fiscal year 2011, plan members were 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. The contributions requirement of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Healthcare Fund) of the system. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent of annual covered salary. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,396, \$17,476 and \$4,817, respectively. 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2011, 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 portion that was used to fund pension obligations for fiscal year 2010. 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.

The Academy's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$25,902, \$22,904 and \$23,809, respectively. 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The Academy did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2011.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on income. 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 2011, the actuarially required allocation was .76%. The Academy's required contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,184, \$1,039, and \$397. 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, Medicare Advantage, 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, 2011, the health care allocation was 1.43 percent of covered payroll.

In addition, a 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year 2011, the minimum pay was established at \$35,800. 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, 2011, 2010 and 2009 were \$4,551, \$2,694, and \$4,157. 50 % has been contributed for fiscal year 2010 and 100% has been contributed for fiscal year 2009 and 2008.

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 visiting the SERS website at ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2011, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,992, \$1,762 and \$1,831. 83 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal year 2010 and 2009.

The financial reports of the STRS Ohio's Health Care Stabilization Fund are included in its stand-alone report that can be obtained by visiting the STRS Ohio website at www.strsoh.org or by calling toll-free 1-888-227-7877.

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 Anthem.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

11. LONG-TERM DEBT

During fiscal year 2011, the following long-term obligation activity occurred at the Academy:

	Balance Outstanding 6/30/10	Additions	Deductions	Balance Outstanding 6/30/11	Amount Due in One Year
US Bank Loan – 5%	\$91,000	\$0	\$3,821	\$87,179	\$4,759

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:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 4,759	\$ 4,641	\$ 9,400
2013	4,662	4,015	8,677
2014	4,901	3,776	8,677
2015	72,857	3,526	76,383
Total	<u>\$87,179</u>	<u>\$15,958</u>	<u>\$103,137</u>

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 \$4,757 to MDECA during the fiscal year ended June 30, 2011. 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTE TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR END JUNE 30, 2011
(Continued)**

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, 2011.

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 Ohio Department of Education owed the Academy \$14,114. This amount is reflected as an intergovernmental receivable on the statement of net assets.

15. RECEIVABLES

Receivables at June 30, 2011 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:

<u>Description</u>	<u>Amount</u>
Title I Grant	\$12,290
Title I ARRA Grant	309
Title II-D Grant	706
Education Jobs Grant	32,598
Race to the Top Grant	30,806
ODE FTE	14,114
SERS Overpayment	1,928
STRS Overpayment	209
Total Intergovernmental Receivable	<u>\$92,960</u>

16. RELATED PARTY

During fiscal year 2011, the Academy paid Vision Quest, LLC a total of \$93,774 for various services. Vision Quest, LLC is a company established by the Academy's Co-Founder and Director/Superintendent, along with her husband and Academy's Co-Founder.

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Dave Yost • Auditor of State

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, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 29, 2012. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-001.

**Compliance and Other Matters
(Continued)**

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 29, 2012.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 29, 2012

GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

FINDING NUMBER 2011-01

NONCOMPLIANCE

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Ohio Revised Code Section 2921.42 (A)(1) and (4) provide that No public official shall knowingly do any of the following: Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest; Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected;

Ohio Revised Code Section 102.03 (D) states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person’s duties.

During fiscal year 2011 the Academy made payments to Vision Quest /Vision Quest Educational Services (“Vision Quest”) totaling \$93,774. Vision Quest charged the Academy for services ranging from IT support, management and miscellaneous duties, instructors, mowing, painting, cleaning, ground repair, maintenance, roof repair, training, gym rental, basketball transportation, referees, basketball coaching, brush and shrub removal. The checks were issued to Kali Jones who is listed as Coach/Contract Management for Vision Quest on the Academy’s website and were approved by Director Kecia Williams. There was no indication that the Board of Directors authorized a contract with Vision Quest Educational Services or that the services were approved in the minutes.

Director Kecia Williams and her husband Robert Williams who is also the co-founder of the Academy were listed as contact and agent, respectively, for Vision Quest Educational Services LLC on the Articles of Organization available on the Secretary of State’s website.

Policies and procedures should be established and implemented to verify that the Academy's officials do not use their influence or position to obtain contracts with the Academy that result in personal benefit or gain. Officials should fully disclose any conflicts and abstain from making decisions that might be viewed as conflict of interest. Failure to do so could result in the Academy entering into less than arm length transactions that might benefit an individual instead of the Academy.

A referral has been made to the Ohio Ethics Commission for further investigation.

Official's Response:

Vision Quest Educational Services LLC was organized in September of 2009 by Robert M. Williams, husband of General Chappie James Leadership Academy Director Kecia Williams. While Kecia Williams name does appear above the Certificate of Organization issued by the Ohio Secretary of State on September 23, 2009, this is solely as a result of her name and address being used as the return address on the mailing in which the Initial Articles of Organization were submitted to the State. Mrs. Williams is not, and has never been, an incorporator, agent or employee of Vision Quest.

Vision Quest was initially organized by Mr. Williams in an effort to develop a service that would manage the non-educational functions of community schools including, but not limited to, General Chappie James Leadership Academy. At the time of the company's organization, Mr. Williams was a member of the United States Armed Forces. Accordingly Mr. Kali Jones ran all of the day-to-day operations of Vision Quest and performed all of the services rendered by the company. In fact, Mr. Jones has been the sole operator of Vision Quest since its inception.

Contrary to the assertion in the noncompliance citation, the School's Governing Board took formal action to approve the contract with Vision Quest on September 10, 2009, contingent upon specified revisions to the Vision Quest contract. The governing Board has also approved each of the School's "Treasurer's Reports" which contained payments to Vision Quest and Kali Jones at each of its meetings since that time. The services managed by Vision Quest under its contract with Chappie James include, but are not limited to: janitorial, facility security and management, building maintenance, the hiring and management of contractors, project management, resource coordination, extracurricular program management, and other miscellaneous duties. These are the duties customarily performed by Business Managers at traditional public schools.

Prior to the company's organization, Mr. Williams performed many of the services provided by Vision Quest without receiving any compensation. Accordingly, he intended on becoming involved in the daily operation of Vision Quest upon his retirement from the military. However, he and Mrs. Williams determined that he would not become involved with the company in order to avoid the appearance or potential of a conflict of interest. Mr. Williams' involvement in the operation of Vision Quest has, at all times, been strictly limited to the initial organization of the limited liability company. Neither Mr. Williams nor Mrs. Williams have ever received compensation, payment, wages or financial distributions of any kind from Chappie James, Vision Quest or Mr. Jones for services rendered by Vision Quest to Chappie James, or otherwise. Notwithstanding this fact, the School and Mr. Jones are currently working to eliminate the appearance of impropriety or conflict of interest by incorporating a new business entity and contracting with that entity to perform the services currently rendered by Mr. Jones and Vision Quest.

The following documentation has been provided to the Auditors to support this Official Response:

1. Governing Board minutes from May 28, 2009, September 10, 2009, and September 26, 2011;
2. Initial Articles of Organization of Vision Quest Educational Services LLC;
3. Signed affidavits from Robert M. Williams, Kecia Williams and Kali Jones;
4. Robert Williams and Kecia Williams Bank Statements for the Audit Period;
5. Kali Jones bank Statements for the Audit Period; and
6. Invoices from Kali Jones/Vision Quest to General Chappie James Leadership Academy.

Auditor's Analysis:

The Auditor of State believes that this business relationship is a violation of Ohio Revised Code Section 2921.42(A)(1) and (4), and Ohio Revised Code Section 102.03(D), and will refer this matter to the Ohio Ethics Commission.



Dave Yost • Auditor of State

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. In our report dated January 27, 2011, we noted the Board adopted an anti-harassment policy on August 14, 2008 and updated the policy on March 22, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the March 22, 2010 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
 - (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.
- (8) Include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Directors 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

May 29, 2012



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
AUGUST 02, 2012**