



Mary Taylor, CPA
Auditor of State

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

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Mary Taylor, CPA

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, (the Academy), as of and for the fiscal year ended June 30, 2007, 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of General Chappie James Leadership Academy, as of June 30, 2007, and the changes in its financial position and its cash flows for the fiscal 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 December 28, 2007, 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.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 28, 2007

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(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, 2007. 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, 2007 are as follows:

- In total, net assets were \$242,014 at June 30, 2007.
- The Academy had operating revenues of \$562,635 and operating expenses of \$689,710. The Academy also received \$331,494 in Federal grants, \$7,100 in State grants and \$50 in gifts and contributions. In total, net assets increased \$211,569 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 Changes 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Table 1 provides a summary of the Academy's net assets as of June 30, 2007 and a comparative analysis to the net assets at June 30, 2006.

Table 1		
Net Assets		
	June 30, 2007	June 30, 2006
Assets		
Current and Other Assets	\$196,842	\$78,276
Capital Assets, Net	85,521	5,714
Total Assets	282,363	83,990
Liabilities		
Current Liabilities	40,349	53,545
Total Liabilities	40,349	53,545
Net Assets		
Invested in Capital Assets	85,521	5,714
Restricted for Special Purposes	66,636	15,878
Unrestricted	89,857	8,853
Total Net Assets	\$242,014	\$30,445

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Academy's assets exceeded its liabilities by \$242,014. Total assets are attributable to ending cash balances of the Academy's funds of \$117,366, intergovernmental receivables of \$77,751, mostly from grants, and prepaid items of \$1,725. The Academy's Capital Assets of \$85,521 consists of machinery and equipment less accumulated depreciation on these items. Total liabilities (as noted above in the amount of \$40,349) are predominately attributable to Accrued Wages and Benefits and Intergovernmental Payables at year end. Net assets restricted for special purposes represent federal and state grant monies. Unrestricted net assets decreased due to additional staffing and purchase of educational material and supplies, but increased overall with the purchase of lab equipment from the Federal Charter School Grant.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, as well as a listing of revenues and expenditures and a comparison to the period ended June 30, 2006.

**Table 2
Changes in Net Assets**

	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006
Operating Revenues		
State Foundation	\$555,988	\$425,655
Other Operating Revenues	6,647	6,891
Total Operating Revenues	<u>562,635</u>	<u>432,546</u>
Non- Operating Revenues		
Federal Grants	331,494	34,111
State Grants	7,100	5,475
Gifts and Contributions	50	100
Total Non-Operating Revenues	<u>338,644</u>	<u>39,686</u>
Total Revenues	<u>901,279</u>	<u>472,232</u>
Operating Expenses		
Salaries	242,098	239,708
Fringe Benefits	52,194	70,250
Purchased Services	210,386	111,546
Materials and Supplies	147,395	35,370
Depreciation	7,154	1,287
Other	30,483	26,345
Total Operating Expenses	<u>689,710</u>	<u>484,506</u>
Change in Net Assets	<u>\$211,569</u>	<u>(\$12,274)</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 62 percent of all revenues. State Foundation revenue increased due to an increase in student enrollment. The enrollment increased 11.81 students in fiscal year 2007. Federal and state grants accounted for another 38 percent of all revenues. Federal grants increased due to the Academy receiving a Federal Charter School Grant during fiscal year 2007. This grant was used to purchase new computers, textbooks, software, gym equipment, school safety and security equipment, professional development, marketing and policy updates.

Capital Assets

At June 30, 2007, the Academy had \$85,521 invested in machinery and equipment and furniture and fixtures.

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

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

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 2008 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 2008 fiscal year budget was based on an estimated enrollment of 90 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 Deborah Dynes, 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, 2007**

Assets:

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$117,366
Prepaid Items	1,725
Intergovernmental Receivable	77,751
Total Current Assets	<u>196,842</u>

Non-Current Assets

Capital Assets, Net	<u>85,521</u>
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Total Assets	<u>282,363</u>
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Liabilities:

Current Liabilities

Accounts Payable	3,867
Accrued Wages and Benefits Payable	20,057
Intergovernmental Payable	16,425
Total Current Liabilities	<u>40,349</u>

Net Assets

Invested in Capital Assets	85,521
Restricted for Special Purposes	66,636
Unrestricted	89,857
Total Net Assets	<u><u>\$242,014</u></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 YEAR ENDED JUNE 30, 2007**

Operating Revenues:	
State Foundation	\$555,988
Other Operating Revenues	6,647
Total Operating Revenues	<u>562,635</u>
Operating Expenses	
Salaries	242,098
Fringe Benefits	52,194
Purchased Services	210,386
Materials and Supplies	147,395
Depreciation	7,154
Other	30,483
Total Operating Expenses	<u>689,710</u>
Operating Loss	<u>(127,075)</u>
Non-Operating Revenues	
Federal Grants	331,494
State Grants	7,100
Gifts and Contributions	50
Total Non-Operating Revenues	<u>338,644</u>
Change in Net Assets	211,569
Net Assets Beginning of Year	<u>30,445</u>
Net Assets End of Year	<u><u>\$242,014</u></u>

See accompanying notes to the basic financial statements.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State Foundation	\$538,623
Cash Received from Other Operating Activities	7,946
Cash Payments for Employee Services and Benefits	(286,576)
Cash Payments for Goods and Services	(369,016)
Cash Payments for Other Operating Expenses	<u>(29,602)</u>
Net Cash Used In Operating Activities	<u>(138,625)</u>

Cash Flows from Noncapital Financing Activities:

Federal Grants	280,819
State Grants	7,100
Gifts and Contributions	<u>50</u>
Net Cash Provided by Noncapital Financing Activities	<u>287,969</u>

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Asset	<u>(86,961)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(86,961)</u>

Net Increase in Cash and Cash Equivalents 62,383

Cash and Cash Equivalents Beginning of Year 54,983

Cash and Cash Equivalents End of Year 117,366

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

Operating Loss (127,075)

**Adjustments to Reconcile Operating Loss to
Net Cash Used In Operating Activities:**

Depreciation 7,154

Changes in Assets and Liabilities:

Increase in Intergovernmental Receivable	(4,517)
Increase in Prepaid Items	(991)
Decrease in Accounts Payable	(6,620)
Increase in Accrued Wages and Benefits Payable	7,899
Decrease in Intergovernmental Payable	<u>(14,475)</u>
Net Cash Used In Operating Activities	<u><u>(\$138,625)</u></u>

See accompanying notes to the basic financial statements.

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**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 Academy was approved under contract with Lucas County Educational Service Center (the Sponsor) for a period of five years ending June 30, 2009. The Academy began operations on September 1, 2004. 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 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 one certified teacher, three classified employees and one administrator who provided instructional services to 82 students during the fiscal year ended June 30, 2007. The Academy contracts with an outside party for Treasurer Services.

The primary government of the Academy consists of eleven funds, several departments and the Board that is not legally separate from the Academy. This includes general operations and student related activities of the Academy. 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 Board Association Worker's Compensation Group Rating Plan, an insurance purchasing pool. (See Note 13).

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Community Schools must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates. 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

All monies received by the Academy are maintained in a demand deposit account.

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>
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, consists of capital assets, net of accumulated depreciation. 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 amount reflected as "Restricted for Special Purposes" represents federal and state grants.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The statement of net assets reports \$66,636 of restricted net assets, of which none is restricted by enabling legislation.

H. Accrued Liabilities and Long-Term Obligations

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

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, E-Tech Ohio and Core Implementation Grant Programs during the fiscal year ended June 30, 2007. The Academy was awarded and received \$3,000, \$2,100 and \$2,000 from these programs during the fiscal year. These monies were spent on nonoperational costs of the Academy during fiscal year 2007.

The Academy was awarded several Federal grants in the amount of \$342,479 and received \$280,819 of this amount.

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.

L. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the period in which services are consumed.

3. DEPOSITS

At June 30, 2007, the book balance of the Academy's deposits was \$117,366 and the bank balance was \$130,171. The entire bank balance was covered by federal depository insurance.

A. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy or custodial credit risk. As of June 30, 2007, \$100,000 of the Academy's bank balance was covered by federal depository insurance. \$30,171 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the Academy's name.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 7/01/06	Additions	Deductions	Balance 6/30/07
Machinery and Equipment	\$7,724	\$36,974		\$44,698
Furniture and Fixtures	0	49,987		49,987
Total Capital Assets	<u>7,724</u>	<u>86,961</u>	<u>\$0</u>	<u>94,685</u>
Less Accumulated Depreciation:				
Machinery and Equipment	(2,010)	(5,209)		(7,219)
Furniture and Fixtures	0	(1,945)		(1,945)
Total Accumulated Depreciation	<u>(2,010)</u>	<u>(7,154)</u>	<u>0</u>	<u>(9,164)</u>
Capital Assets, Net	<u>\$5,714</u>	<u>\$79,807</u>	<u>\$0</u>	<u>\$85,521</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, 2007, the Academy had property and liability insurance through Indiana Insurance.

B. Workers' Compensation

For fiscal year 2007, 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 insures 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, 2007, purchased services were as follows:

Professional and Technical Services	\$ 116,900
Property Services	23,154
Travel and Meetings	2,676
Communications	35,836
Utilities	31,820
Total Purchased Services	<u>\$210,386</u>

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

7. PERSONNEL AGREEMENT

The Academy entered into a service contract for Treasurer Services. Total payments for the fiscal year ended June 30, 2007 were \$15,000.

8. OPERATING LEASES

The Academy entered into a two-year rental agreement with the Jefferson Township Local School District Board of Education for the use of classrooms and offices for the period September 14, 2005 through September 12, 2007. According to the agreement, the rent was \$1,000 per month for the first year (September 14, 2005 through September 13, 2006) and \$1,200 during the second year (September 14, 2006 through September 13, 2007). During the period ended June 30, 2007, the Academy made total payments of \$12,145.

9. 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 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.

For the fiscal year ended June 30, 2007, 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. 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations; 10.58 percent was the portion that was used to fund pension obligations for fiscal year 2006. 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, 2007, 2006 and 2005 were \$10,029, \$9,887 and \$4,498, respectively. 47 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005.

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 stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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.

For the fiscal year ended June 30, 2007, 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 2006. 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, 2007, 2006 and 2005 were \$16,771, \$20,820 and \$15,710, respectively. 90 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The Academy did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2007.

10. POSTEMPLOYMENT BENEFITS

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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients and sponsored 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, 2007, 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, 2006. For the Academy, this amount equaled \$1,290 for the fiscal year ended June 30, 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the fiscal year ended June 30, 2007 equaled \$5,457.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 59,492 participants currently eligible to receive health care benefits.

11. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

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 \$3,801 to MDECA during the fiscal year ended June 30, 2007. 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 are 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, 2007.

B. Federal and State Funding

The Ohio Department of Education (ODE) 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.

C. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v State of Ohio, et al., Case #:3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on General Chappie James Leadership Academy cannot be presently determined.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)**

15. RECEIVABLES

Receivables at June 30, 2007 consisted of intergovernmental receivables in the amount of \$77,751. 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	\$ 47,797
Title II-A Grant	2,843
Title II-D Grant	793
Drug-Free Grant	648
Title V Grant	335
Title VI-B	1,433
Federal Charter School Grant	7,811
State Teachers' Retirement System	2,674
Ohio Department of Education	13,417
Total Intergovernmental Receivable	<u>\$77,751</u>



Mary Taylor, CPA

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 the business-type activities of General Chappie James Leadership Academy, Montgomery County, (the Academy), as of and for the fiscal year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 28, 2007. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Academy's management in a separate letter dated December 28, 2007.

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 noncompliance or other matter that we reported to the Academy's management in a separate letter dated December 28, 2007.

We intend this report solely for the information and use of management, the Academy's sponsor, and Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 28, 2007



Mary Taylor, CPA
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 18, 2008**