GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

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, 2006, 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 the Academy, as of June 30, 2006, 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 February 15, 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.

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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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 15, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(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, 2006. 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, 2006 are as follows:

In total, net assets were $30,445 at June 30, 2006.

The Academy had operating revenues of $432,546 and operating expenses of $484,506. The Academy also received $34,111 in Federal grants, $5,475 in State grants and $100 in gifts and contributions. In total, net assets decreased $12,274 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.

Table 1 provides a summary of the Academy's net assets as of June 30, 2006 and a comparative analysis to the net assets at June 30, 2005.

Table 1
Net Assets

	June 30, 2006	(Restated) June 30, 2005
Assets		
Current and Other Assets	$78,276	$92,278
Capital Assets, Net	5,714	7,001
Total Assets	83,990	99,279
Liabilities		
Current Liabilities	53,545	56,560
Total Liabilities	53,545	56,560
Net Assets		
Invested in Capital Assets	5,714	7,001
Restricted for Special Purposes	15,878	
Unrestricted	8,853	35,718
Total Net Assets	$30,445	$42,719

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the Academy's assets exceeded its liabilities by $30,445. Total assets are attributable to ending cash balances of the Academy's funds of $54,983, intergovernmental receivables of $22,559, mostly from grants, and prepaid items of $734. The Academy's Capital Assets of $5,714 consists of machinery and equipment less accumulated depreciation on these items. Total liabilities (as noted above in the amount of $53,545) 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 mostly due to additional staffing and purchase of educational material and supplies.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, as well as a listing of revenues and expenditures and a comparison to the period ended June30, 2005.

Table 2
Changes in Net Assets

	Fiscal Year Ended June 30, 2006	(Restated) Period Ended June 30, 2005
Operating Revenues		
State Foundation	$425,655	$296,248
Other Operating Revenues	6,891	928
Total Operating Revenues	432,546	297,176
Non- Operating Revenues		
Federal Grants	34,111	150
State Grants	5,475	27,833
Gifts and Contributions	100	10,000
Total Non-Operating Revenues	39,686	37,983
Total Revenues	472,232	335,159

Table 2
Changes in Net Assets
(Continued)

	Fiscal Year Ended June 30, 2006	(Restated) Period Ended June 30, 2005
Operating Expenses		
Salaries	239,708	131,334
Fringe Benefits	70,250	28,820
Purchased Services	111,546	71,743
Materials and Supplies	35,370	41,331
Depreciation	1,287	723
Other	26,345	13,743
Total Operating Expenses	484,506	287,694
Non-Operating Expenses		
Interest and Fiscal Charges		4,746
Total Expenses	484,506	292,440
Change in Net Assets	($12,274)	$42,719

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 90 percent of all revenues. State Foundation revenue increased due to an increase in student enrollment. State grants decreased due to the fact that the Academy received a state charter school start-up grant during 2005 for its first year of operations. Federal grants increased due to the Academy applying for more Federal Title monies. Gifts and Contributions decreased due to the fact the Academy received a Fordam Foundation Contribution during 2005 for a computer lab. Federal and State grants accounted for another 8.6 percent of revenues, with miscellaneous operating revenue making up the rest.

Capital Assets

At June 30, 2006, the Academy had $5,714 invested in machinery and equipment.

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 2007 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 2007 fiscal year budget was based on an estimated enrollment of 73.88 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, 2006

Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$54,983
Prepaid Items	734
Intergovernmental Receivable	22,559
Total Current Assets	78,276
Non-Current Assets	
Capital Assets, Net	5,714
Total Assets	83,990
Liabilities:	
Current Liabilities	
Accounts Payable	10,487
Accrued Wages and Benefits Payable	12,158
Intergovernmental Payable	30,900
Total Current Liabilities	53,545
Net Assets	
Invested in Capital Assets	5,714
Restricted for Special Purposes	15,878
Unrestricted	8,853
Total Net Assets	$30,445

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, 2006

Operating Revenues:	
State Foundation	$425,655
Other Operating Revenues	6,891
Total Operating Revenues	432,546
Operating Expenses	
Salaries	239,708
Fringe Benefits	70,250
Purchased Services	111,546
Materials and Supplies	35,370
Depreciation	1,287
Other	26,345
Total Operating Expenses	484,506
Operating Loss	(51,960)
Non-Operating Revenues	
Federal Grants	34,111
State Grants	5,475
Gifts and Contributions	100
Total Non-Operating Revenues	39,686
Change in Net Assets	(12,274)
Net Assets Beginning of Year (Restated)	42,719
Net Assets End of Year	$30,445

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, 2006

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State Foundation	$415,380
Cash Received from Other Operating Activities	5,592
Cash Payments for Employee Services and Benefits	(310,061)
Cash Payments for Goods and Services	(133,130)
Cash Payments for Other Operating Expenses	(27,549)
Net Cash Used In Operating Activities	(49,768)
Cash Flows from Noncapital Financing Activities:	
Federal Grants	22,592
State Grants	5,475
Gifts and Contributions	100
Net Cash Provided by Noncapital Financing Activities	28,167
Net Decrease in Cash and Cash Equivalents	(21,601)
Cash and Cash Equivalents Beginning of Year	76,584
Cash and Cash Equivalents End of Year	$54,983
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Loss	($51,960)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	1,287
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(10,275)
Increase in Prepaid Items	(734)
Increase in Accounts Payable	9,545
Decrease in Accrued Wages and Benefits Payable	(15,175)
Increase in Intergovernmental Payable	17,544
Net Cash Used In Operating Activities	($49,768)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The General Chappie James Leadership Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to serve as a Community School to educate children. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is a Federal tax exempt entity under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

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

The Academy was approved under contract with 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 GCJLA, an Ohio non-profit corporation and two of the members are chosen from leaders from the broad range of disciplines representing professionals, community leaders and parents. The Directors serve a two-year term and may not serve more than three terms consecutively. At the annual meeting, the then acting Directors elect the Directors of the Corporation by majority vote. The Board of Directors is responsible for carrying out the provisions of the contract with the Sponsor, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Board elects Officers annually including a Chair, Vice-Chair, Secretary and Treasurer. The Officers serve one-year terms. The Board appoints an Executive Director by majority vote who is the Chief Executive Officer of the Academy and responsible for operating the day-to-day business affairs of the Academy, subject 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 70 students during the fiscal year ended June 30, 2006. 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 Association of School Board Officials (OASBO) Worker's Compensation Group Rating Plan, an insurance purchasing pool. (See Note 13).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

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

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

Expenses are recognized at the time they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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:

Description	Estimated Lives
Machinery and Equipment	4-8 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 $15,878 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.

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 and E-Tech Ohio Grant Programs during the fiscal year ended June 30, 2006. The Academy was awarded and received $3,000 and $2,475 from these programs during the fiscal year. These monies were spent on nonoperational costs of the Academy during fiscal year 2006.

The Academy was awarded several Federal grants in the amount of $34,111 and received $22,592 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.

M. Change in Accounting Principles

For fiscal year 2006, the Academy has implemented *GASB Statement No. 42, "Accounting* and *Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits"*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the Academy's financial statements for fiscal year 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the Academy's financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial standards for termination benefits. This statement clarifies and established reporting requirements for those benefits provided by employer to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect the Academy's financial statements for fiscal year 2006.

N. Restatement

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. The review for fiscal year 2005 determined that the Academy owed ODE $20,149. As of the balance sheet date the Academy still owed $14,223 to ODE of which none of this amount was recorded in the 2005 financial statements. This amount has been included on the financial statements as Intergovernmental Payable. This change had the following effect on net assets:

Net Assets at June 30, 2005	$56,942
Less: 2005 FTE adjustment	(14,223)
Adjusted Net Assets June 30, 2005	$42,719

3. DEPOSITS

At June 30, 2006, the book balance of the Academy's deposits was $54,983 and the bank balance was $64,221. The entire bank balance was covered by federal depository insurance.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 7/01/05	Additions	Deductions	Balance 6/30/06
Machinery and Equipment	$7,724			$7,724
Less Accumulated Depreciation:				
Machinery and Equipment	(723)	(1,287)		(2,010)
Capital Assets, Net	$7,001	($1,287)	$0	$5,714

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, 2006, the Academy had property and liability insurance through Indiana Insurance.

5. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2006, 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, 2006, purchased services were as follows:

Professional and Technical Services	$ 63,984
Property Services	18,714
Travel and Meetings	978
Communications	17,207
Utilities	10,663
Total Purchased Services	$111,546

7. PERSONNEL AGREEMENT

The Academy entered into a service contract for Treasurer Services. Total payments for the fiscal year ended June 30, 2006 were $15,000.

8. OPERATING LEASES

The Academy entered into a rental agreement with the Jefferson Township Local School District Board of Education for the use of classrooms and offices for the period September 13, 2004 through September 12, 2005. During fiscal year 2006, a new two-year rental agreement was signed effective September 14, 2005. 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, 2006, the Academy made total payments of $11,100.

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, 2006, 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations; 10.57 percent was the portion that was used to fund pension obligations for fiscal year 2005. 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, 2006 and 2005 were $9,887 and $4,498, respectively. 60 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 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.

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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2006, 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 2005. 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, 2006 and 2005 were $20,820 and $15,710, respectively. 88 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 2005. The Academy did not have any employees who participated in the DC or Combined Plans for the fiscal year ended June 30, 2006.

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.

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, 2006, 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, 2005. For the Academy, this amount equaled $1,602 for the fiscal year ended June 30, 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 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.

10. POSTEMPLOYMENT BENEFITS (Continued)

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. 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 2006, 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, 2006 equaled $4,561.

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, 2005, (the latest information available) were $178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 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 58,123 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.

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 $3,268 to MDECA during the fiscal year ended June 30, 2006. 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, 2006.

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. The review for fiscal year 2005 determined that the Academy owed ODE $20,149. As of the balance sheet date the Academy still owed $14,223 to ODE. This amount has been included on the financial statements as Intergovernmental Payable.

The review for fiscal year 2006 determined that ODE owed the Academy $10,275. This amount has been included on the financial statements as Intergovernmental Receivable.

C. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

15. RECEIVABLES

Receivables at June 30, 2006 consisted of intergovernmental receivables in the amount of $22,559. All receivables are considered collectible in full and are expected to be received within one year. A summary of intergovernmental receivables follows:

Description	Amount
Title I Grant	$ 7,659
Title VI-R Grant	1,280
Title II-D Grant	570
Drug-Free Grant	162
Title II Grant	122
Title VI-B	1,192
Ohio Department of Education	10,275
BWC Premium Refund	1,299
	$22,559

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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, 2006, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 15, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated February 15, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

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We intend this report solely for the information and use of management and Board of Directors. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 15, 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
APRIL 12, 2007

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