



Dave Yost • Auditor of State



**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of General Chappie James Leadership Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of General Chappie James Leadership Academy, Montgomery County, Ohio, as of June 30, 2012, and the change in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2013, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

July 8, 2013

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

Our 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, 2012. The intent of this discussion and analysis is to look at Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the Academy for the fiscal year 2012 are as follows:

- In total, net assets decreased \$143,849 which represents a 74 percent decrease from 2011. This decrease is due to decreased federal revenues.
- Total assets decreased \$105,114 which represents a 32 percent decrease from 2011. This was primarily due to decreases in cash and receivables from the previous year.
- Liabilities increased \$38,735 which represents a 29 percent increase from 2011. The increase in liabilities is due to increases in accounts payable.

**USING THIS ANNUAL REPORT**

This report consists of three parts: the Management's Discussion and Analysis, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Net Assets reflect how the Academy did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These 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 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. Non-financial factors include the Academy's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Academy uses enterprise presentation for all of its activities.

**Statement of Net Assets**

The Statement of Net Assets answers the question of how the Academy did financially during fiscal year 2012. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years ended 2012 and 2011.

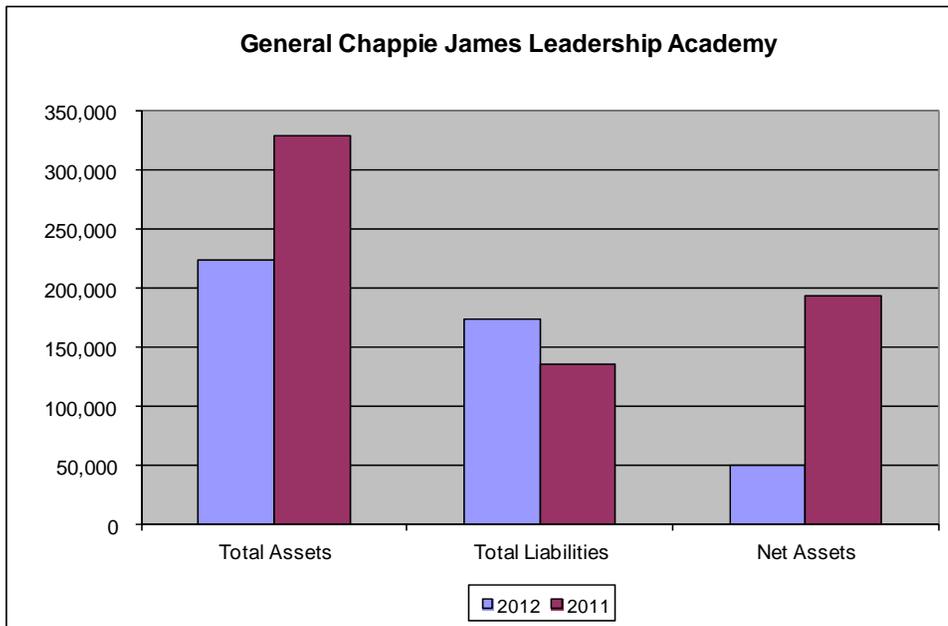
**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Table 1  
Statement of Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
<b>Current Assets:</b>	\$39,907	\$145,541
Capital Assets, Net	184,255	183,735
Total Assets	<u>224,162</u>	<u>329,276</u>
<b>Liabilities:</b>		
Current Liabilities	96,201	52,804
Long Term Liabilities	77,758	82,420
Total Liabilities	<u>173,959</u>	<u>135,224</u>
Net Assets		
Investment in Capital Assets, Net of Debt Restricted for Special Purposes	101,835	96,556
Unrestricted	(51,632)	18,894
Total Net Assets	<u><u>\$50,203</u></u>	<u><u>\$194,052</u></u>

Net assets decreased \$143,849 from 2011. Total liabilities increased to \$173,959, an increase from 2011 of \$38,735. This is due to increases in accounts payable and decreases in cash and intergovernmental receivable.



**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Statement of Revenues, Expenses and Changes in Net Assets**

Table 2 shows the changes in net assets for fiscal years 2012 and 2011, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

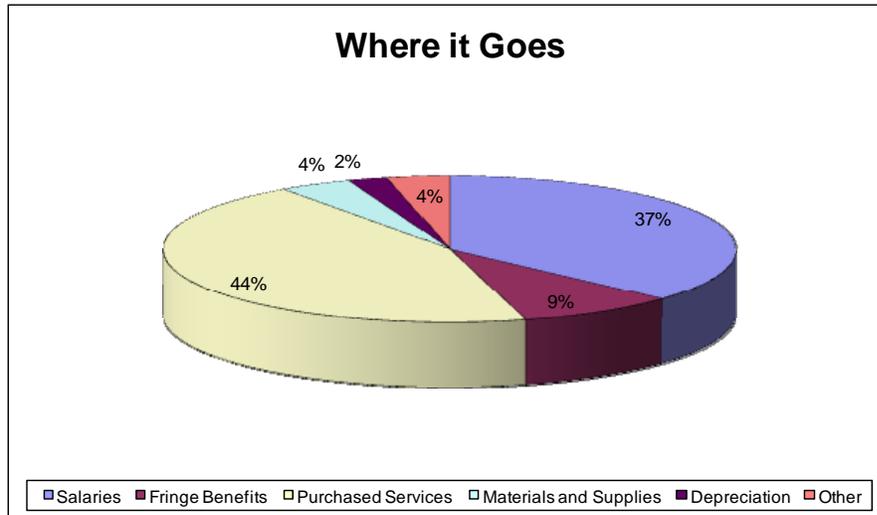
**Table 2  
Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Foundation	\$773,658	\$781,146
Miscellaneous Operating	48,317	9,533
<b>Non-Operating Revenues:</b>		
Interest Income		9
Grants	35,265	376,226
Total Revenues	<u>857,240</u>	<u>1,166,914</u>
<b>Operating Expenses:</b>		
Salaries	366,457	368,810
Fringe Benefits	89,460	78,230
Purchased Services	442,894	509,225
Materials and Supplies	41,121	54,668
Depreciation	22,049	21,443
Other	34,867	32,792
<b>Non-Operating Expenses:</b>		
Interest on Notes Payable	4,241	4,893
Total Expenses	<u>1,001,089</u>	<u>1,070,061</u>
Total Increase (Decrease) in Net Assets	<u>(\$ 143,849)</u>	<u>\$ 96,853</u>

Revenues decreased \$309,674, which represents a 27 percent decrease from 2011. Expenses decreased by \$68,972, which represents a 6 percent decrease from 2011. 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. Revenues decreased due to the elimination of the federal stimulus dollars as well as a write down of accrued grants not utilized from fiscal year 2011.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**



**BUDGETING HIGHLIGHTS**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy has developed a one year spending plan and a five-year forecast that is reviewed semi-annual by the Board of Trustees. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education, annually.

**CAPITAL ASSETS**

The Academy has \$184,255 invested in capital assets, net of accumulated depreciation. The increase in asset carrying value of \$520 is the net effect of asset purchases and annual depreciation. Detailed information regarding capital asset activity is included in the note 5 to the basic financial statements.

**DEBT OBLIGATIONS**

The Academy has no short-term debt obligations at June 30, 2012, and long-term debt obligation of \$82,420, of which \$4,662 is current. Note 12 to the basic financial statements summarize all of the Academy's debt obligations at June 30, 2012.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**OTHER INFORMATION**

**For the Future**

In conclusion, the Academy has committed itself to financial excellence. The Academy has contracted with Kids Count of Dayton as its sponsor effective July 1, 2012. Prior to July 1, 2012, ESC of Lake Erie West was the Academy's sponsor.

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 2013 fiscal year budget. One of the most important factors affecting the budget is the student count. The state foundation revenue is determined based on the student count and the foundation allowance per pupil. The 2012 fiscal year budget was based on an estimated enrollment of 120 students. Staffing contracts have been approved based on current enrollment. Additional computer labs will be opened and additional staff added as enrollment increases. The Academy will amend the budget to reflect actual resources and related expenditures. Also, the financial outlook over the next several years shows continued growth in enrollment at the Academy as well, but future revenue increases are cautious due to Ohio's weak economic recovery.

**CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Brian G. Adams, Treasurer General Chappie James Leadership Academy 120 Knox Ave Dayton, Ohio 45427 or at badams@ocscltd.com.

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**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Assets:**

**Current Assets:**

Cash and Cash Equivalents	\$28,344
Intergovernmental Receivable	\$7,096
Prepays	4,467
Total Current Assets	<u>39,907</u>

**Non-Current Assets:**

Capital Assets, Net	184,255
Total Assets	<u>224,162</u>

**Liabilities:**

**Current Liabilities:**

Accounts Payable	40,681
Accrued Wages and Benefits Payable	25,714
Intergovernmental Payable	25,144
Notes Payable, Due within One Year	4,662
Total Current Liabilities	<u>96,201</u>

**Non-Current Liabilities:**

Notes Payable, Due in More Than One Year	77,758
Total Liabilities	<u>173,959</u>

**Net Assets:**

Invested in Capital Assets, Net of Related Debt	101,835
Unrestricted	(51,632)
Total Net Assets	<u>\$50,203</u>

*See accompanying notes to the basic financial statements.*

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES, AND CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Operating Revenues:</b>	
State Foundation	\$773,658
Miscellaneous Operating Revenues	48,317
Total Operating Revenues	<u>821,975</u>
<b>Operating Expenses:</b>	
Salaries	366,457
Fringe Benefits	89,460
Purchased Services	442,894
Materials and Supplies	41,121
Depreciation	22,049
Other	34,867
Total Operating Expenses	<u>996,848</u>
Operating Loss	<u>(174,873)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest on Notes Payable	(4,241)
Grants	35,265
Total Non-Operating Revenues	<u>31,024</u>
Change in Net Assets	(143,849)
Net Assets, Beginning of Year	<u>194,052</u>
Net Assets, End of Year	<u>\$50,203</u>

*See accompanying notes to the basic financial statements.*

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash Flows from Operating Activities:**

Cash Received from State Foundation	\$806,854
Cash Received from Other Operating Activities	48,317
Cash Payments for Employee Services	(368,030)
Cash Payments for Employee Benefits	(95,491)
Cash Payments for Goods and Services	(450,622)
Cash Payments for Other Operating Activities	(34,828)
Net Cash Used in Operating Activities	(93,800)

**Cash Flows from Noncapital Financing Activities:**

Grants Received	106,062
Net Cash Provided by Noncapital Financing Activities	106,062

**Cash Flows from Capital and Related Financing Activities:**

Cash Payments for Capital Assets	(22,569)
Interest Paid - Notes Payable	(4,241)
Principal Payments - Notes Payable	(4,759)
Net Cash Used in Capital and Related Financing Activities	(31,569)

Net Decrease in Cash and Cash Equivalents (19,307)

Cash and Cash Equivalents, Beginning of Year 47,651

Cash and Cash Equivalents, End of Year \$28,344

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

Operating Loss	(174,873)
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**Adjustments to Reconcile Operating Loss to  
Net Cash Used in Operating Activities:**

Depreciation	22,049
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**Changes in Assets and Liabilities:**

Decrease in Intergovernmental Receivable	14,114
Decrease in Prepaids	463
Increase in Accounts Payable	27,921
Decrease in Accrued Wages and Benefits	(2,556)
Increase in Intergovernmental Payable	19,082
Net Cash Used in Operating Activities	(\$93,800)

*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 FISCAL YEAR ENDED JUNE 30, 2012**

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

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

The Board of Directors controls the Academy's one instructional/support facility which was staffed by four certified teachers, four classified employees and three administrators who provided instructional services to 119 students during the fiscal year ended June 30, 2012.

The Academy is associated with the Metropolitan Dayton Educational Computer Association (MDECA) which is defined as a jointly governed organization. (See Note 16). The Academy is also associated with the Ohio School Boards 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 FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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. However, the Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989. The following are the more significant of the Academy's accounting policies.

**A. Basis of Presentation**

The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Net Assets presents increases and decreases in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by its sponsor in the sponsorship agreement. The contract between the Academy and its Sponsor does not prescribe for an annual budget requirement. The Academy does prepare a five-year forecast, which is to be updated semi-annually, and shared with the Governing Board, Ohio Department of Education and its Sponsor.

**D. Cash and Cash Equivalents**

All cash received by the Academy is deposited in accounts in the Academy's name and reflected as Cash and Cash Equivalents on the Statement of Net Assets. The Academy has investments during fiscal year 2012 (See note 3).

**E. Prepaid Items**

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2012, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 years
Machinery and Equipment	4-8 years
Furniture and Fixtures	10-20 years

**G. Intergovernmental Revenues**

The Academy currently participates in the State's foundation and special education programs. Revenues received from these programs are recognized as operating revenues (foundation and special education payments) in the accounting period in which they are earned and become measurable. Funding from these programs is listed as "State Foundation" on the Statement of Revenues, Expenses, and Change in Net Assets.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy presently has no restricted net assets. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Estimates**

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

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

**Deposits**

At June 30, 2012, the book balance of the Academy's deposits was \$28,310 and the bank balance was \$37,985.

**Investments**

At June 30, 2012, the Academy had \$34 invested in STAR Ohio. STAR Ohio is an investment pool with various interest rates.

**Interest Rate Risk:** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the Academy. The Academy does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:** The Academy places no limit on the amount it may invest in any one issuer. 100% of the Academy's investments at June 30, 2012, were in STAR Ohio.

**Credit Risk:** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Academy has no investment policy that would further limit its investment choices. The Academy's investment in STAR Ohio was rated AAAM by Standard & Poor's at June 30, 2012.

**4. RECEIVABLES AND PREPAID EXPENSES**

At June 30, 2012, the Academy had intergovernmental receivables in the amount of \$7,096 and prepaid expenses in the amount of \$4,467. Intergovernmental Receivables consist of federal assistance earned at year end but not received at June 30, 2012. The Pre-paid Expenses consist of insurance payments for fiscal year 2013.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2012 was as follows:

	<b>Balance 06/30/11</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/12</b>
<b>Depreciable Capital Assets:</b>				
Building	\$130,000			\$130,000
Furniture and Fixtures	54,620	\$21,554		76,174
Machinery and Equipment	65,349	1,015		66,364
Total Capital Assets being Depreciated	<u>249,969</u>	<u>22,569</u>		<u>272,538</u>
<b>Less Accumulated Depreciation:</b>				
Building	(7,042)	(6,500)		(13,542)
Furniture and Fixtures	(20,926)	(10,199)		(31,125)
Machinery and Equipment	(38,266)	(5,350)		(43,616)
Total Accumulated Depreciation	<u>(66,234)</u>	<u>(22,049)</u>		<u>(88,283)</u>
Total Capital Assets being Depreciated, Net	<u>\$183,735</u>	<u>\$ 520</u>	<u>\$0</u>	<u>\$184,255</u>

**6. RISK MANAGEMENT**

**A. Insurance Coverage**

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, 2012, the Academy had property and liability insurance through Argonaut Insurance. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

**B. Workers' Compensation**

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**C. Employee Medical, Dental and Vision Benefits**

The Academy has contracted through an independent agent to provide employee medical, dental, and vision insurance to its full-time employees who work 40 or more hours per week.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Audit Resources.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the year ended June 30, 2012, 2011 and 2010 were \$17,749, \$18,396, and \$17,476, respectively, of which 100% has been contributed.

**B. State Teachers Retirement Systems (STRS)**

**Plan Description** - The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is 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, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service that becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2012, 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. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

The Academy's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$28,080, \$25,902 and \$22,904, respectively, of which 100% has been contributed.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, there were no members that elected Social Security.

**8. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement Systems**

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

**Medicare Part B** - Medicare B plans reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal 2012, the actuarial required allocation is .75 percent. The Academy's contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,048, \$1,184, and \$1,039, respectively.

**Health Care Plan** - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2012, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$769, \$4,551, and \$2,694, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,160, \$1,992,

**9. 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.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Insurance Benefits**

The Academy provides health and life insurance to all employees through Anthem.

**10. CONTINGENCIES**

**A. Grants**

The Academy receives financial assistance from federal and state 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 operating fund. 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, 2012.

**B. Full-Time Equivalency Reviews**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has been conducted for the 2011-2012 school year. As a result of the review, the Academy posted an intergovernmental payable in the amount of \$19,082 on the accompanying financial statements presented.

**11. PURCHASED SERVICES**

For the period July 1, 2011 through June 30, 2012, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional Services	\$276,117
Property Services	85,571
Travel and Professional Development	10,738
Communications	5,377
Utilities	36,911
Transportation	28,180
Total	\$442,894

**12. DEBT OBLIGATIONS - LONG-TERM**

During fiscal year 2012, the following long-term obligation activity occurred at the Academy:

	<b>Balance Outstanding 6/30/11</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance Outstanding 6/30/12</b>
US Bank Loan – 5%	\$87,179	\$0	\$4,759	\$82,420

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. DEBT OBLIGATIONS - LONG-TERM (Continued)**

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

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

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 4,662	\$ 4,015	\$ 8,677
2014	4,901	3,776	8,677
2015	72,857	3,526	76,383
Total	\$82,420	\$11,317	\$93,737

**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. TAX EXEMPT STATUS**

The Academy was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

**15. SPONSOR**

On September 1, 2004, a sponsorship agreement was executed between the Academy and the Educational Service Center of Lake Erie West for a five (5) year period beginning July 1, 2009. Under this agreement, the Academy pays the Sponsor "up to" 1.5% of State Foundation (see Note 2 G.). The Academy's sponsor fee expense at June 30, 2012 totaled \$13,064.

**16. JOINTLY GOVERNED ORGANIZATIONS**

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 \$5,470 to MDECA during the fiscal year ended June 30, 2012. Financial information can be obtained from Dean Reineke, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**17. RELATED PARTY**

During Fiscal Year 2012, the Academy paid Vision Quest, LLC a total of \$57,659 for various services. Vision Quest, LLC is a company established by the Academy's Co-Founder and Director/Superintendent, along with her husband and the Academy's Co-Founder.

**18. ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code, Section 117-2-03(B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles and Ohio Revised Code Section 117.38 requires that public offices reporting pursuant to generally accepted accounting principles file their reports within one hundred fifty days after fiscal year end. The Academy filed their report sixty days after the required filing date of November 30, 2012. The Academy can be fined and various other administrative remedies may be taken against the Academy.

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# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of General Chappie James Leadership Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of we identified certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 described in the accompanying schedule of findings to be a significant deficiency.

### 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated July 8, 2013.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

July 8, 2013

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2012-001**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Admin Code 117-2-03 (B)** provides that community schools shall prepare their annual financial reports in accordance with generally accepted accounting principles.

**Ohio Rev Code Section 117.38** states, in part, that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. Additionally, at the time the report is filed with the Auditor of State, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The Academy failed to file its annual financial report within 150 days of the fiscal year end. The report was required to be filed by November 30, 2012 but was not filed until January 31, 2013. No extension from the Auditor of State's Office was received. Additionally, the Academy did not publish a notice in a local newspaper regarding the availability of the Fiscal Year 2012 annual report.

The Academy should implement procedures to verify that the annual financial report is filed on a timely basis as well as publish a notice in the local newspaper stating that the report is complete and available for review. Doing so will provide concerned citizens with an opportunity to review the Academy's finances.

**Official's Response:** The school changed treasurers during the 150 day reporting period and wasn't able to complete the report in this timeframe. We do not feel this will be an issue in future years to comply with this deadline.

**FINDING NUMBER 2012-002**

**NONCOMPLIANCE/FINDING FOR RECOVERY**

**Ohio Rev. Code Section 3314.03(A)(11)(d)** requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. **Ohio Rev. Code Section 149.43(B)** states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

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

**FINDING NUMBER 2012-002  
(Continued)**

The Board-approved debit card policy states in part that the debit card is to remain in the possession of the Director and is to be generally used by the Director. However, if there is a need for other employees to use the card, the card must be signed out upon use, signed in upon return with the name of the employee, reason for usage and a receipt. In the event that a receipt is not received, the employee who signed out the card will be responsible to reimburse the school. If the Academy is not reimbursed within thirty days of the purchase, the amount of the purchase shown on the statement will be deducted from the employee's payroll check.

Several debit card transactions that were reviewed on the June 30, 2012 bank reconciliation amounting to \$4,335 did not have any supporting documentation nor was the Board's debit card policy followed with regards to these charges as there was no evidence that the unsupported amounts were reimbursed to the Academy or deducted from Employees' paychecks after not being reimbursed or supplemented with support. Further, there was no documentation indicating that the Board approved the expenditures or that they were otherwise for a proper public purpose.

Kecia Williams served as the Academy's Director for the 2012 fiscal year and Tracy A. Jarvis was the Academy's Treasurer for the 2012 fiscal year.

Without proper supporting documentation, it is not possible to determine if these transactions would be considered a proper public purpose. The failure to maintain adequate support for these transactions could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Director, Kecia Williams, Treasurer, Tracy Jarvis and her bonding company, The Cincinnati Insurance Company jointly and severally in the amount of \$4,335 and in favor of General Chappie James Leadership Academy.

**Official's Response:** We received no response from officials.

**FINDING NUMBER 2012-003**

**SIGNIFICANT DEFICIENCY – BANK RECONCILIATIONS**

The Academy completed monthly bank to book reconciliations for each month during the audit period. The Academy's monthly bank reconciliations from the period of July 1, 2011 through June 30, 2012 contained multiple old and unusual reconciling items and errors in order to balance each month. These reconciling items at June 30, 2012 included the following items:

**FINDING NUMBER 2012-03  
(Continued)**

- An IRS overpayment of \$4,431 as a reconciling item to cash. Expenditure was not posted, until July and August when IRS remittances were reduced by the amount overpaid.
- A cashier's check for copier services which cleared the bank in May 2012 but was not posted to the accounting system resulting in, and included as, a reconciling item to cash.
- Petty cash (debit card account) transactions being made from June 2011 through June 2012 and not being posted to the accounting system since there were no receipts provided and thus carried as a reconciling item to cash by the Academy.

The Academy should implement procedures to verify that bank reconciliations are prepared timely, that other adjusting factors are documented on the reconciliation, items are posted to the accounting records in a timely fashion and that an individual independent of the Treasurer review and sign the bank reconciliation each month. Failure to do so may result in inaccurate financial information being presented to the Governing Board and could result in potential findings for recovery in future audits.

**Official's Response:** The school's new treasurer is instituting new bank reconciliation procedures to ensure that this deficiency does not occur in the future.

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**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-01	<i>State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)</i> , Ohio Revised Code Section 2921.42 (A)(1) and (4) and Ohio Revised Code Section 102.03 (D) – Official Interest in a Contract	Yes	Finding No Longer Valid. A different contract payment issue was identified in the current audit. This matter was reported to the management of the school in a separate letter and is being referred to the Ohio Ethics Commission.

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Governing Board:

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

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

1. In our report dated January 27, 2011, we noted the Board adopted an anti-harassment policy on August 14, 2008 and updated the policy on March 22, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the March 22, 2010 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
  - (1) A procedure for reporting prohibited incidents;
  - (2) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (3) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (4) A procedure for documenting any prohibited incident that is reported;
  - (5) A procedure for responding to and investigating any reported incident;
  - (6) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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

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

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



**Dave Yost**  
Auditor of State

July 8, 2013



# Dave Yost • Auditor of State

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 29, 2013**