



Dave Yost • Auditor of State



CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Cleveland Academy of Scholarship, Technology and Leadership Enterprise  
Cuyahoga County  
1729 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, Ohio as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the School'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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  
Columbus, Ohio

February 19, 2014

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**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Our discussion and analysis of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2012-2013 school year are as follows:

- Total assets decreased \$189,652.
- Total liabilities decreased \$199,614.
- Total Net Position increased \$885.
- Total operating and non-operating revenues were \$2,284,257. Total operating expenses were \$2,283,372.

**USING THIS ANNUAL REPORT**

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2013. 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 School's Net Position and changes in those assets. This change in Net Position is important because it tells the reader whether the financial position of the School 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 School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2013. 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 School's Net Position for fiscal years 2013 and 2012.

**Table 1  
Statement of Net Position**

	2013	2012
<b>Assets</b>		
Current Assets	\$ 78,940	\$ 267,784
Capital Assets, Net of Accumulated Depreciation	86,416	87,224
Total Assets	\$ 165,356	\$ 355,008
<b>Liabilities</b>		
Current Liabilities	\$ 209,379	\$ 408,993
Total Liabilities	\$ 209,379	\$ 408,993
<b>Net Position</b>		
Investment in Capital Assets	\$ 86,416	\$ 87,224
Unrestricted	(130,439)	(132,132)
Total Net Position	\$ (44,023)	\$ (44,908)

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's net position totaled \$(44,023).

Current assets represent cash and cash equivalents and intergovernmental receivable. Current liabilities represent amounts owed to the vendors and other governmental agencies at fiscal year-end.

Total assets decreased \$189,652, with a subsequent decrease in liabilities of \$199,614, both primarily due to the outstanding technology projects and other payments at fiscal year-end 2012 that were completed and obligations satisfied during fiscal year 2013.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

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

Table 2 shows the changes in Net Position for fiscal years 2013 and 2012, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School 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  
Change in Net Position**

	<b>2013</b>	<b>2012 (Restated)</b>
<b>Operating Revenue</b>		
State Aid	\$ 1,696,596	\$ 2,007,418
Other	38,152	47,332
<b>Total Operating Revenues</b>	<b>1,734,748</b>	<b>2,054,750</b>
<b>Operating Expenses</b>		
Salaries	975,480	1,139,714
Fringe Benefits	274,376	308,113
Purchased Services	807,046	1,038,804
Materials and Supplies	117,098	119,028
Other	41,902	28,598
Depreciation	67,470	54,829
<b>Total Operating Expenses</b>	<b>2,283,372</b>	<b>2,689,086</b>
Operating (Loss)	(548,624)	(634,336)
<b>Non-Operating Revenues</b>		
Federal & State Grants	549,509	669,328
<b>Total Non-Operating Revenues</b>	<b>549,509</b>	<b>669,328</b>
<b>Increase in Net Position</b>	<b>885</b>	<b>34,992</b>
<b>Net Position – Beginning of Year</b>	<b>\$ (44,908)</b>	<b>\$ (79,900)</b>
<b>Net Position – End of Year</b>	<b>\$ (44,023)</b>	<b>\$ (44,908)</b>

State Aid decreased by \$310,822 due to a decrease in enrollment. As a result, purchased services were decreased \$231,758 and salaries decreased \$164,234 to account for the decreased enrollment during the fiscal year.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**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 School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted the Ohio Department of Education, annually.

**CAPITAL ASSETS**

At fiscal year end, the School's net capital asset balance was \$86,416. This balance represents current year additions of \$66,661 offset by current year depreciation of \$67,470. For more information on capital assets, see Note 5 of the Basic Financial Statements.

**DEBT OBLIGATIONS**

The School does not have any debt obligation other than the current payables and accrued liabilities.

**CURRENT FINANCIAL ISSUES**

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue.

During the fiscal year 2013, per pupil revenue decreased slightly over the prior year and stimulus monies through the State Fiscal Stabilization Fund (SFSF) were no longer available. As a result, the School was dependent on higher enrollments and active budget monitoring to close this gap. With no projected increase in per pupil funding for fiscal year 2013, the School will need to continue to closely manage expenses and evaluate the impact this will have on current and future year operations.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA of Massa Financial Solutions, LLC, 1729 Superior Avenue, Cleveland, Ohio 44114 or e-mail at [dave@massasolutionsllc.com](mailto:dave@massasolutionsllc.com).

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**Statement of Net Position  
At June 30, 2013**

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$ 55,514
Intergovernmental Receivable	9,210
Accounts Receivable	14,216
<i>Total Current Assets</i>	<u>78,940</u>

*Noncurrent Assets:*

Capital Assets:

Depreciable Capital Assets, net	<u>86,416</u>
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Total Assets	<u><u>\$ 165,356</u></u>
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**Liabilities**

*Current Liabilities:*

Accounts Payable	54,566
Accrued Wages and Benefits	93,029
Accrued Expenses	61,784
Total Liabilities	<u>\$ 209,379</u>

**Net Position**

Investment in Capital Assets	86,416
Unrestricted	<u>(130,439)</u>
Total Net Position	<u><u>\$ (44,023)</u></u>

See accompanying notes to the basic financial statements

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**Statement of Revenues,  
Expenses and Changes in Fund Net Position  
For the Year Ending June 30, 2013**

**Operating Revenues**

State Aid	\$ 1,696,596
Other	38,152
Total Operating Revenues	<u>1,734,748</u>

**Operating Expenses**

Salaries	975,480
Fringe Benefits	274,376
Purchased Services	807,046
Materials and Supplies	117,098
Depreciation	67,470
Other	41,902
Total Operating Expenses	<u>2,283,372</u>

**Operating Loss** (548,624)

**Non-Operating Revenues**

Federal and State Grants	<u>549,509</u>
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**Change in Net Position** 885

**Net Position Beginning of Year, Restated** (44,908)

**Net Position End of Year** \$ (44,023)

See accompanying notes to the basic financial statements

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013**

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

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$1,670,729
Cash Received from Other Operating Sources	38,140
Cash Payments to Suppliers for Goods and Services	(1,127,063)
Cash Payments to Employees for Services	(1,012,323)
Cash Payments for Employee Benefits	(253,263)
	<hr/>

Net Cash Used for Operating Activities (683,780)

**Cash Flows from Noncapital Financing Activities**

Cash Received from Federal and State Grants	573,132
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**Cash Flows from Capital Financing Activities**

Cash Payments for Capital Assets	(66,661)
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**Net Decrease in Cash and Cash Equivalents** (177,309)

**Cash and Cash Equivalents Beginning of Year** 

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232,290

**Cash and Cash Equivalents End of Year** 

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\$ 55,514

See accompanying notes to the basic financial statements

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013  
(Continued)**

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

<b>Operating (Loss)</b>	\$ (548,624)
Depreciation	67,470
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(159,462)
Decrease in Accrued Expenses	(2,748)
Decrease in Accrued Wages and Benefits	(37,417)
Decrease in Intergovernmental Receivable	(17,215)
Increase in Accounts Receivable	14,216
	<hr/>
Net Cash Used For Operating Activities	\$ (683,780)

See accompanying notes to the basic financial statements

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE ENTITY**

The Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Inc., (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of grades 9 through 12. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School, 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 School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was originally approved for operation under a contract with Educational Resource Consultants of Ohio, Inc. ("ERCO") (the Sponsor) in the fall of 2004 and ending June 30, 2009. Each year since, the School's contract has been renewed for a one year period. The most recent renewal commenced on July 1, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Governing Board controls the School's instructional and administrative staff.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial Statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in Net Position, financial position and cash flows.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**A. Basis of Presentation (Continued)**

GASB requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) 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 is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The financial statements are prepared using the accrual basis of accounting.

**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, except under Ohio Revised Code Section 5705.391, the School must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction. In addition, the Sponsor contract requires a detailed budget for each year of the contract.

**D. Cash and Cash Equivalents**

Cash received by the Schools is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2013.

**E. Estimates**

The preparation of 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 these estimates.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**F. Capital Assets**

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from Net Position. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives are as follows:

<u>Asset</u>	<u>Useful Life</u>
Computers and Software	3 Years
Equipment	5 Years
Textbooks	5 Years

The School has an asset capitalization threshold policy of \$5,000. (See Note 5) Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of Net Position.

**G. Intergovernmental Revenues**

The School 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.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The School also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs the School recorded \$1,696,596 this fiscal year from the Foundation Program and \$549,509 from Federal and State grants.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**H. Compensated Absences**

Vacation is taken in a manner in which corresponds with the school calendar; therefore School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

**I. Accrued Liabilities**

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements which consist of accounts payable and accrued expenses \$209,379 at June 30, 2013.

**J. Exchange and Non-Exchange Transactions**

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 School 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

**K. Net Position**

Net Position represent the difference between assets and liabilities. Net Position are reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. Net Position invested in capital assets consist 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.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2013.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**M. Change in Accounting Principles**

In fiscal year 2013, the School implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources and deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a school's net position. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concepts of net position.

**3. CASH AND CASH EQUIVALENTS**

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2013, the School had a cash book balance of \$55,514 and a bank balance of \$56,237. The entire balance was covered by the FDIC.

**4. INTERGOVERNMENTAL RECEIVABLE**

The School had various intergovernmental receivables totaling \$23,426 representing monies earned, but not received as of June 30, 2013.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**5. CAPITAL ASSETS AND DEPRECIATION**

For the period ending June 30, 2013, the School's capital assets consisted of the following:

	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/13</u>
<b>Capital Assets:</b>				
Computers and Software	\$79,295	\$ 60,646	-	\$ 139,941
Furniture and Fixtures	-	6,015	-	6,015
Textbooks	25,905	-	-	25,905
Equipment	132,181	-	-	132,181
<b>Total Capital Assets</b>	237,381	66,661	-	304,042
<b>Less Accumulated Depreciation:</b>				
Computers and Software	(26,432)	(46,646)	-	(73,078)
Furniture and Fixtures	-	(2,005)	-	(2,005)
Textbooks	(5,181)	(5,181)	-	(10,362)
Equipment	(118,544)	(13,638)	-	(132,181)
<b>Total Accumulated Depreciation</b>	(150,157)	(67,470)	-	(217,626)
<b>Net Total Capital Assets</b>	<u>\$ 87,224</u>	<u>\$ (809)</u>	-	<u>\$ 86,416</u>

**6. RISK MANAGEMENT**

**A. Property & Liability**

The School 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 natural disasters. During the fiscal year ending June 30, 2013, the School contracted with Westfield Insurance Company for general and commercial liability coverage. The limits of this coverage are \$1,000,000 per occurrence and \$2,000,000 in the aggregate with a \$1,000 deductible.

There have been no significant reductions in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past three fiscal years.

**B. Workers' Compensation**

The School 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.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**6. RISK MANAGEMENT (Continued)**

**C. Employee Benefits**

The School provides medical, dental and vision benefits through COSE, Superior Dental, and VSP respectively to all full time employees. The School pays 70% of the monthly premiums for employees and dependents, except for vision coverage which is solely paid by the employee.

**7. DEFINED BENEFIT PENSIONS PLANS**

**A. School Employees Retirement System of Ohio (SERS Ohio)**

**Plan Description** – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by 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.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.90% is allocated to the Healthcare and Medicare B Funds. 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 of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$49,734, \$50,352, and \$43,375, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

**B. State Teachers Retirement System of Ohio (STRS Ohio)**

**Plan Description** - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Plan Options** - 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 a member's lifetime contributions and earned interest matched by STRS Ohio

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**B. State Teachers Retirement System of Ohio (STRS Ohio) (Continued)**

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 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. 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 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Schools was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$82,169, \$81,979, \$86,011 respectively which equaled the required contributions for those years. There were no contributions to the DC and Combined Plans for fiscal year 2013.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**8. POST EMPLOYMENT BENEFITS**

**A. School Employee Retirement System (SERS Ohio)**

**Plan Description** - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statute provides that no employer shall pay a health care surcharge greater than 2.0 percent of the employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contribution for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,308, \$8,177, and \$10,802 respectively which equaled the required contributions for those years.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**8. POST EMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (SERS Ohio) (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,805, \$2,974, and \$2,791 respectively which equaled the required contributions for those years.

**B. State Teachers Retirement System (STRS Ohio)**

**Plan Description** - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,321, \$6,306, and \$6,616 which equaled the required contributions for those years.

**9. CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and state agencies in the form of grants. Amount received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amount which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**B. Litigation**

There are currently no matters in litigation with the School as defendant.

**C. Full-Time Equivalency**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. In the opinion of the School, any adjustments will not have a material adverse effect on the financial position of the School.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**10. SPONSOR FEES**

The School contracted with Educational Resource Consultants of Ohio, Inc. as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2013, the total sponsorship fees paid totaled \$51,110.

**11. PURCHASED SERVICES**

For the period of July 1, 2012 through June 30, 2013, the School made the following purchased services commitments.

Professional and Technical Services	\$ 256,539
Property Services	390,248
Travel and Meetings	2,272
Utilities	31,357
Communications	11,515
Contractual Trade Services	115,115
	<u>\$807,046</u>

**12. OPERATING LEASES**

The School subleases two office facilities from Superior Lofts, LLC for school space located at 1729 Superior Avenue, Cleveland, Ohio 44114. The term of the lease began August 15, 2004 and was renewed on August 15, 2009 for a five year period. The rent paid by the school in FY2013 was \$350,402.

The following is a schedule of future minimum payments required under the above operating lease as of June 30, 2013 are as follows:

FY	Amount
2014	\$ 94,464
Total	<u>\$ 94,464</u>

**13. RESTATEMENT OF BEGINNING NET POSITION**

In November 2012, the School received a positive adjustment to State Aid revenue in the amount of \$9,077 related to the 2011-2012 School year. Since the adjustment was not reflected in the prior year financial statements, beginning Net Position has been restated as follows:

Ending Net Position, as Originally Stated	\$ (53,985)
Effect of Revenue Adjustment	<u>9,077</u>
Beginning Net Position, Restated	<u>\$ (44,908)</u>

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUHAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**14. DEFICIT FUND BALANCE AND MANAGEMENT'S PLAN**

The School's Net Position at June 30, 2013 was (\$44,023). This was due to the fact that the School's current liabilities exceeded its available assets to meet those obligations. The Board remains committed to the success of the School both academically and financially and is focused on overcoming this deficit through increases in student enrollment that will lead to higher revenues, or reductions of current operating expenses.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor</u> <i>Pass Through Grantor</i> Program Title	Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	2013	10.553	\$8,992	\$8,992
National School Lunch Program	2013	10.555	38,005	38,005
Total Child Nutrition Cluster			<u>46,997</u>	<u>46,997</u>
<b>Total U.S. Department of Agriculture</b>			<u>46,997</u>	<u>46,997</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States, IDEA Part B	2012	84.027	12,260	0
	2013	84.027	106,698	101,625
Total Special Education Cluster			<u>118,958</u>	<u>101,625</u>
Title I Cluster:				
Title I, Grants to Local Educational Agencies	2012	84.010	14,590	60,227
	2013	84.010	328,432	303,715
ARRA Title I, Grants to Local Educational Agencies	2013	84.389	59,954	59,954
Total Title I Cluster			<u>402,977</u>	<u>423,896</u>
Improving Teacher Quality, Title II, Part A	2013	84.367	4,200	4,200
<b>Total U.S. Department of Education</b>			<u>526,135</u>	<u>529,721</u>
<b>Total Federal Financial Assistance</b>			<u>\$573,132</u>	<u>\$576,718</u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Cleveland Academy of Scholarship, Technology and Leadership Enterprise's (the School's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

Cleveland Academy of Scholarship, Technology and Leadership Enterprise  
Cuyahoga County  
1729 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School'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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 19, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Cleveland Academy of Scholarship, Technology and Leadership Enterprise  
Cuyahoga County  
1729 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Directors:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Cleveland Academy of Scholarship, Technology and Leadership Enterprise's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Cleveland Academy of Scholarship, Technology and Leadership Enterprise's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School's major federal program.

### ***Management's Responsibility***

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major program. However, our audit does not provide a legal determination of the School's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Cleveland Academy of Scholarship, Technology and Leadership Enterprise complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 19, 2014

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Title I Cluster:</u> Title I, Grants to Local Educational Agencies – CFDA #84.010; ARRA Title I Grants to Local Educational Agencies – CFDA #84.389
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Cleveland Academy of Scholarship, Technology and Leadership Enterprise  
Cuyahoga County  
1729 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Directors:

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

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

1. We noted the School amended its anti-harassment policy at its meeting on February 20, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 19, 2014

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# Dave Yost • Auditor of State

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE**

**CUYAHOGA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2014**