



Mary Taylor, CPA
Auditor of State

CITIZENS' ACADEMY
CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Citizens' Academy
Cuyahoga County
1827 Ansel Road
Cleveland, Ohio 44106

To the Board of Directors:

We have audited the accompanying basic financial statements Citizens' Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express 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 the Citizens' Academy, Cuyahoga County, Ohio, as of June 30, 2006, and the changes in financial position and its cash flows for the year 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 June 19, 2007, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Managements Discussion and Analysis is not a required part of the financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's financial statements. The schedule of federal awards receipts and expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audis of States, Local Governments and Non-Profit Organizations* and is not a required part of the financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

June 19, 2007

CITIZENS ACADEMY
CUYAHOGA COUNTY

Management's Discussion and Analysis
For the year ended June 30, 2006
Unaudited

The discussion and analysis of Citizens' Academy (the Academy) provides an overall review of the Academy's financial activities for the year ended June 30, 2006. The intent of the discussion and analysis is to look at the Academy's the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights affecting 2006 are as follows:

As anticipated, the Academy's student enrollment increased from approximately 350 in 2005 to 386 in 2006.

Total Assets increased by \$108,740 primarily due to increases of \$100,223 in cash and cash equivalents and an increase in claims to Federal Title funds of \$92,149. These increases were partially offset by a decrease in capital assets of \$100,567.

Total Current Liabilities also increased by \$48,927 mainly due to higher accrued payroll, rent, and payroll taxes.

In total, Net Assets increased \$59,813.

Total Operating Revenues totaled \$2,700,506 for the year, an increase of \$175,867 from the prior year.

Using this Annual Financial Report

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy as a financial whole.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Academy. The Academy has one major fund for business-type activities.

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

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2006?" These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received.

These statements report the Academy's net assets and the change in those assets. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

CITIZENS' ACADEMY
CUYAHOGA COUNTY

Management's Discussion and Analysis
For the year ended June 30, 2006
Unaudited
(Continued)

School-wide financial analysis

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

**Table 1
NET ASSETS**

<u>Assets:</u>	<u>JUNE 30, 2006</u>	<u>JUNE 30, 2005</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	854,984	\$ 754,761
Receivables:		
Federal Title Funds	128,287	36,138
Gifts and Grants	333	120
Intergovernmental	25,381	21,573
Other (Net of Allowance)	-	664
Prepaid Expenses	35,923	21,515
Total Current Assets	1,044,908	834,771
<u>Non-Current Assets:</u>		
Deposits on Leased and Other Property	15,000	15,000
Assets Permanently Restricted	5,000	5,000
Other Assets	3,158	3,988
Capital Assets (Net of Accumulated Depreciation)	1,332,397	1,432,964
Total Non-Current Assets	1,355,555	1,456,952
Total Assets	2,400,463	2,291,723
<u>Liabilities and Equity:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	29,759	40,115
Due to Other Governments	131,928	103,573
Accrued Payroll	170,191	164,903
Accrued Rent	106,194	79,050
Other	3,065	4,569
Total Current Liabilities	441,137	392,210
<u>Net Assets</u>		
Investment in Capital Assets, net of related debt	1,332,397	1,432,964
Unrestricted	626,929	466,549
Total Net Assets	1,959,326	1,899,513

Total assets increased by \$108,740 mainly due to increases in cash and cash equivalents of \$100,223 and an increase in claims to Federal Title funds of \$92,149. These increases were partially offset by a net decrease in capital assets of \$100,567. The \$100,223 increase in cash and cash equivalents resulted primarily from a net increase of \$206,694 of ODE foundation revenues due to the increased enrollment.

Total liabilities of \$441,137 increased by \$48,927 essentially due to higher accrued payroll and accrued rent.

Total net assets totaled \$1,959,326 and increased from the prior year by \$59,813 due to the increases in assets and liabilities discussed above.

CITIZENS ACADEMY
 CUYAHOGA COUNTY

Management's Discussion and Analysis
 For the Year ended June 30, 2006
 Unaudited
 (Continued)

Table 2 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Table 2
Revenues, Expenses and Changes in Net Assets

	FOR THE YEAR ENDED	
	June 30, 2006	June 30, 2005
<u>Operating Revenues:</u>		
Foundation Payments	2,654,524	\$ 2,447,830
Other Operating Revenues	<u>45,982</u>	<u>76,809</u>
<i>Total Operating Revenues</i>	<u>2,700,506</u>	<u>2,524,639</u>
<u>Operating Expenses:</u>		
Salaries	1,833,786	1,716,111
Fringe Benefits	609,887	508,079
Purchased Services	746,982	721,124
Materials and Supplies	221,359	206,983
Depreciation	190,527	161,824
Other Operating Expenses	<u>31,938</u>	<u>74,977</u>
<i>Total Operating Expenses</i>	<u>3,634,479</u>	<u>3,389,098</u>
Operating Loss	<u>(933,973)</u>	<u>(864,459)</u>
<u>Non-Operating Revenues:</u>		
Federal and State Grants	702,208	658,000
Private Grants and Contributions	266,597	453,900
Investment Earnings	<u>24,981</u>	<u>8,235</u>
<i>Total Non-Operating Revenues</i>	<u>993,786</u>	<u>1,120,135</u>
<u>Net Assets</u>		
Net Increase/(Decrease) in Net Assets	59,813	255,676
Total Net Assets at Beginning of the Year	<u>1,899,513</u>	<u>1,643,837</u>
Total Net Assets at End of Year	<u>\$ 1,959,326</u>	<u>\$ 1,899,513</u>

Foundation payments accounted for 98% of the Operating Revenues. Community school foundation payments are received from the Ohio Department of Education (ODE) based on various student enrollment data submitted to ODE throughout the school year. Foundation payments increased by \$206,694 to \$2,654,524 due mainly to the Academy's increase in student enrollment.

Operating expenses for 2006 totaled \$3,634,479 which represents an increase of \$245,381 over the prior year. For 2006, the Academy changed the estimated useful life for depreciating books, one type of classroom material from 5 years to expense in accordance with standard practice in other schools/districts.

With the exception of this impact amounting to \$42,244, the primary reason for the remaining increase in operating expenses was to accommodate the increase in student enrollment.

Federal and state grants increased by \$44,208 to \$702,208 primarily due to increased participation in our Food Service and Before and After School Enrichment Programs as well as the increase in student enrollment.

Private grants and contributions of \$266,597 decreased by \$187,303 from the prior year as a result of highly successful fundraising activities in 2005 largely related to the planned construction of a new library/media center.

General Budget Highlights

The Academy prepares a detailed operating budget that facilitates the achievement of the Academy's mission as established by the Board of Directors and ensures the Academy's financial stability and organizational continuity. This budget, approved annually by the Board for the upcoming fiscal year, is compared to actual monthly financial reports and discussed at all Board meetings.

CITIZENS ACADEMY
CUYAHOGA COUNTY

Management's Discussion and Analysis
For the Year Ended June 30, 2006
Unaudited
(Continued)

Table 3 reflects capital assets, net of accumulated depreciation, as of June 30, 2006 and 2005.

Table 3
Capital Assets (Net of Accumulated Depreciation)

	<u>JUNE 30, 2006</u>	<u>JUNE 30, 2005</u>
Leasehold Improvements	1,167,626	\$ 1,211,036
Construction in progress	12,740	2,822
Playground	14,421	17,212
Classroom materials, furniture, equipment & computers	55,378	126,491
Office furniture, equipment & computers & servers	82,232	54,765
Other	-	20,638
Total	<u>1,332,397</u>	<u>1,432,964</u>

The Academy's investment in capital assets for its activities as of June 30, 2006 amounts to \$1,332,397. The Academy's fiscal-year 2007 capital budget calls for it to spend \$332,450 for capital projects which include but are not limited to \$160,000 on a new library/media center, \$73,500 for lavatory renovations and \$36,450 for classroom materials.

The Academy has no long-term loan obligations outstanding.

Economic Factors and Next Year's 2007 Budget

The Academy's 2007 budget projects a slight increase in enrollment from approximately 386 students to 394. Therefore it is anticipated that compensation expense, which includes salaries and wages, payroll taxes, retirement and fringe benefits, will total about \$2.6 million or 67% of total operating expenses. The major budget economic assumptions include premiums for medical insurance will increase by 20% and all other fringes by 5%.

Contacting the Academy's Financial Management

The financial report is designed to provide all interested parties with a general overview of the Academy's finances. If you have any questions about this report or need additional information, contact the Academy's Executive Director, Perry White, at Citizens' Academy, 1827 Ansel Road, Cleveland, Ohio 44106, (216) 791-4195.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Net Assets
As of June 30, 2006

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 854,984
Receivables:	
Federal Title Funds	128,287
Gifts and Grants	333
Intergovernmental	25,381
Prepaid Expenses	35,923
<i>Total Current Assets</i>	<u>1,044,908</u>

Non-Current Assets:

Deposits on Leased and Other Property	15,000
Assets Permanently Restricted	5,000
Other Assets	3,158
Capital Assets (Net of Accumulated Depreciation)	1,332,397
<i>Total Non-Current Assets</i>	<u>1,355,555</u>

<i>Total Assets</i>	<u><u>2,400,463</u></u>
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Liabilities and Equity:

Current Liabilities:

Accounts Payable	29,759
Due to Other Governments	131,928
Accrued Payroll	170,191
Accrued Rent	106,194
Other	3,065
<i>Total Current Liabilities</i>	<u>441,137</u>

Net Assets

Investment in Capital Assets, net of related debt	1,332,397
Unrestricted	626,929
<i>Total Net Assets</i>	<u><u>\$ 1,959,326</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Revenues, Expenses and Changes in Net Assets
As of June 30, 2006

Operating Revenues:

Foundation Payments	\$ 2,654,524
Other Operating Revenues	<u>45,982</u>
<i>Total Operating Revenues</i>	<u>2,700,506</u>

Operating Expenses:

Salaries	1,833,786
Fringe Benefits	609,887
Purchased Services	746,982
Materials and Supplies	221,359
Depreciation	190,527
Other Operating Expenses	<u>31,938</u>
<i>Total Operating Expenses</i>	<u>3,634,479</u>

Operating Loss (933,973)

Non-Operating Revenues:

Federal and State Grants	702,208
Private Grants and Contributions	266,597
Investment Earnings	<u>24,981</u>
<i>Total Non-Operating Revenues</i>	<u>993,786</u>

Net Assets

Net Increase in Net Assets	59,813
Total Net Assets at Beginning of the Year	<u>1,899,513</u>
Total Net Assets at End of Year	<u>\$ 1,959,326</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Cash Flows
For the Year Ended June 30, 2006

	<u>6/30/2006</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 2,726,812
Cash Payments to Suppliers for Goods and Services	(943,975)
Cash Payments to Employees for Services	(2,481,358)
Other Operating Revenues	<u>46,606</u>
Net Cash Used for Operating Activities	(651,915)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Non-Operating Grants and Contributions Received	<u>819,960</u>
Net Cash Provided by Noncapital Financing Activities	819,960
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>(92,040)</u>
Net Cash Used for Capital and Related Financing Activities	(92,040)
<u>Cash Flows from Investing Activities:</u>	
Interest/Dividends Earned on Investments	<u>24,218</u>
Net Cash Provided by Investing Activities	<u>24,218</u>
Net Increase in Cash and Cash Equivalents	100,223
Cash and Cash Equivalents at Beginning of Year	<u>754,761</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 854,984</u></u>

The accompanying notes to the financial statements are an integral part of this state

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Cash Flows
For the Year Ended June 30, 2006
(Continued)

	<u>6/30/2006</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (933,973)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	190,527
Donated Services	52,675
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	664
(Increase) in Prepaid Expenses and Other	(12,814)
(Decrease) in Accounts Payable	(9,878)
(Decrease) in Accrued Expenses	(9,900)
Increase in Other Current Liabilities	70,784
	<hr/>
Total Adjustments	282,058
	<hr/>
Net Cash Used for Operating Activities	<u>\$ (651,915)</u>

The accompanying notes to the financial statements are an integral part of this stat

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

I. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Citizens' Academy (the Academy) is a nonprofit corporation established June 10, 1998, pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school and is organized as a tax exempt organization under § 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. These purposes include the fostering of quality public education, and the advancement of the interests of public school students through the operation of a community school, the development of innovative programs in public education and the development of systems of accountability for public school student performance. 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, which is part of Ohio's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

A proposal was initially forwarded to the Ohio Department of Education by the Academy during September 1998 to open a community school in the fall of 1999. The Ohio Department of Education approved the proposal and entered into a contract with the Academy that provided for the commencement of operations at the beginning of the 1999-2000 school year.

As of June 30, 2006, the Academy operated under an eighteen-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, 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 of Directors controls the Academy's instructional facility staffed by twenty-two certificated full-time teaching personnel who provide services to 386 students.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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 Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or changes in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. 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. Operating statements present increases (*e.g.*, revenues) and decreases (*e.g.*, expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in 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. Expenses are recognized at the time they are incurred.

3. Cash and Cash Equivalents

All monies received by the Academy are deposited in the name of the Academy at KeyBank. Investments are managed in accounts with Key Investment Services. For presentation on the Statement of Net Assets and Statement of Cash Flows, investments with an original maturity of three months or less are considered cash equivalents.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of \$500, except for items purchased from Federal Title funds, which have a \$300 threshold. The Academy does not possess any infrastructure.

Leasehold improvements are also capitalized. The costs 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 reported capital assets are depreciated.

Depreciation and amortization of leasehold improvements, computers and equipment, furniture, and classroom materials are computed using the straight-line method over their estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

<u>Fixed Asset Classification</u>	<u>Years</u>
Leasehold Improvements	20
Computers and Equipment	5
Appliances	7
Software	3
Classroom Furniture	10
Classroom Materials	5

Note: Text books are expensed and are no longer capitalized along with other classroom materials

5. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from these programs 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 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 fiscal year when use is first permitted, matching requirements, in which The Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences

Vacation for teaching staff is to be taken in a manner that corresponds with the school calendar; therefore, the Academy does not accrue vacation time as a liability.

Vacation benefits for non-teaching staff are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned. Accrued vacation pay totaling \$29,115 is reported on the Statement of Net Assets under Accrued Payroll.

Sick time and other paid time off is not compensatable if this PTO is not taken. The unused PTO can be carried over into the next school year. Therefore, no liability was recorded.

7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded 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.

8. Private Grants and Donations

The Academy has received funds from private foundations and individuals to support the Academy's educational programs.

9. 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.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Use of 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 those estimates.

III. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2006, The Academy has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-employment Benefit Expenditures/Expense and Liabilities by Cost Sharing Employers."

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure /expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post employment benefit plans.

The implementation of GASB statement Nos. 39, 46, and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements for the school

For 2006, The Academy changed its policy to not capitalize books, which were previously capitalized with other classroom materials and had a useful life of 5 years. The impact of this change was \$42,244.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

IV. BUDGETING

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

The Academy's Board adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy's Principal and Executive Director are responsible for ensuring that purchases are made within these limits. Any variances from the budget are presented to the Board for approval.

V. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2006, the carrying amount of the Academy's deposits totaled \$854,984 and its bank balance was \$876,948. Based on the criteria described in GASB statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$647,188 of the bank balance was exposed to custodial risk as discussed below, while \$229,760 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy's will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

VI. RECEIVABLES

Receivables at June 30, 2006, consisted of Federal Title Funds, private foundation grants, intergovernmental (e.g., Federal and state grants, childcare vouchers), and Before and After School Enrichment Program fees. All receivables from Federal, State, and local governments are considered collectible in full, due to the stable condition of state programs, the current-year guarantee of Federal funds, and the financial stability of the foundation sources. Non-governmental program fees receivable are shown on the Statement of Net Assets net of a \$3,170 allowance for doubtful accounts.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

VII. CAPITAL ASSETS

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

	Balance			Balance
	06/30/05	Additions	Deductions	06/30/06
Leasehold Improvements	\$1,508,641	\$34,663	\$0	\$1,543,304
Computers, Furniture, and Equipment	199,283	32,736	0	232,019
Classroom Materials and Furniture	195,171	12,642	(97,636)	110,177
Marketing Materials	1,658	0	0	1,658
Playground Equipment	27,911	0	0	27,911
Construction in Progress	2,822	9,918	0	12,740
Totals at Historical Cost	<u>1,935,486</u>	<u>89,959</u>	<u>(97,636)</u>	<u>1,927,809</u>
	(297,605)	(78,073)	0	(375,678)
Leasehold Improvements	(114,979)	(34,808)	0	(149,787)
Computers, Furniture, and Equipment	(77,664)	(32,527)	55,392	(54,799)
Classroom Materials and Furniture	(1,575)	(83)	0	(1,658)
Marketing Materials	(10,699)	(2,791)	0	(13,490)
Playground Equipment	<u>(502,522)</u>	<u>(148,282)</u>	<u>55,392</u>	<u>(595,412)</u>
Total Depreciation				
Net Fixed Assets	<u>\$1,432,964</u>	<u>\$(58,323)</u>	<u>\$(42,244)</u>	<u>\$1,332,397</u>

VIII. PURCHASED SERVICES

Purchased Services include the following:

Occupancy Costs	\$ 393,533
Pupil Support Services	102,971
Instruction	0
Administrative	230,179
Other	20,299
Total	<u>\$ 746,982</u>

IX. LEASES

The Academy leases its facilities from The Temple-Tifereth Israel under a five-year lease agreement. This lease was effective July 1, 1999, and expired June 30, 2004. The lease provides the Academy with an option to renew for three additional five-year terms. The Academy exercised its option to renew for the second five-year term which expires June 30, 2009.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

IX. LEASES (Continued)

The lease agreement between the Academy and The Temple-Tifereth Israel provides for lease payments on a fixed scheduled increase basis plus 9 percent of total revenue up to a yearly rental cap amount. The Academy has recorded additional rent payable of \$106,194 at June 30, 2006 based upon a percentage of gross revenue pursuant to the lease agreement.

X. RISK MANAGEMENT

1. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the Academy contracted with Indiana and Travelers Insurance Companies for all of its insurance.

General liability is covered at \$1,000,000 single occurrence limit and \$2,000,000 aggregate. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Directors and Officers, Employee Crime, bonding for fiscal agents and Sexual Abuse and Misconduct. Settled claims have not exceeded this commercial coverage in any of the past three years, and there have been no significant reductions in insurance coverage from the prior year.

2. Workers' Compensation

The Academy makes premium payments to the Ohio Workers' Compensation System (WC) for employee injury coverage. As of June 30, 2006, there have been two claims filed by employees with WC for the year ending June 30, 2006. In the opinion of management, these claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

3. Employee Medical, Dental, and Vision Benefits

The Academy provides medical, dental, and vision insurance benefits to all full-time employees. Insurance premiums are paid by the Academy for each employee who elects to have coverage. Those employees who are eligible for coverage but choose not to take it are entitled to \$1,000 on a pro-rata basis. During the 2006 fiscal year, the costs to the Academy for medical, dental, and vision insurance benefits, net of employee contributions of 10 percent of medical premiums, were \$206,905.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

XI. PENSION PLANS

1. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute at an actuarially determined rate. The employer rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$89,951, \$81,625 and \$46,229 respectively; 73 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004. \$7,969 representing the unpaid contribution for fiscal year 2006 is recorded as a liability under "Due to Other Governments."

2. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

XI. PENSION PLANS (Continued)

2. State Teachers Retirement System (Continued)

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. A Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a members lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

XI. PENSION PLANS (Continued)

2. State Teachers Retirement System (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the members account balance.

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A Members defined benefit is determined by multiplying 1% of the members final average salary by the members years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump-sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

XI. PENSION PLANS (Continued)

2. State Teachers Retirement System (Continued)

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Academy's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$128,185, \$123,294 and \$115,112 respectively; 92 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004. \$9,870 representing the unpaid contribution for fiscal year 2006 is recorded as a liability under "Due to Other Governments."

STRS Ohio issues a stand-alone financial report. Copies of the STRS Ohio 2006 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2006 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS OhioWeb site at www.strsoh.org.

XII. POST-EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

XII. POST-EMPLOYMENT BENEFITS (Continued)

STRS retirees who participate in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund, from which payments for health care benefits are paid. For the Academy, this amount equaled \$9,861 during fiscal 2006, of which \$808 was payable at June 30, 2006.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For FY 2006, employer contributions used to fund health care benefits were 3.42 percent of covered payroll, compared to a 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level of the health care fund. The target level of the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,000 participants currently receiving health care benefits.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

XIII. SCHOOL FUNDING

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. As of the date of this report, adjustments to the state funding received for fiscal year 2006 included an additional foundation payment of \$41,442.

XIV. CONTINGENCIES

1. Grants

The Academy received 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2006.

2. Pending Litigation

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

XV. DONATED SERVICES

During 2006, the Academy received donated services from the Cleveland Hearing and Speech Center. These donated services were in the amount of \$46,200. These services were recorded at fair value as contributed revenues and as a corresponding expense when the services were received.

**CITIZENS ACADEMY
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title IDEA B	6BSF-2006	84.027	\$97,471	\$0	\$88,441	\$0
Total Special Education Cluster			97,471	0	88,441	0
Title IDEA - Early Childhood Special Education	PG-S1-2006	84.173	6,498	0	5,683	0
			6,498	0	5,683	0
Title I	C1-S1-2006	84.010	245,410	0	224,357	0
Total Title I			245,410	0	224,357	0
Title II-A	TR-S1-2006	84.367	31,934	0	29,328	0
Total Title II-A Improving Teacher Quality			31,934	0	29,328	0
Title II-D	TJS1-2006	84.318	9,573	0	8,400	0
Total Title II-D Technology			9,573	0	8,400	0
Title IV-A	DR-S1-2006	84.186	3,545	0	2,954	0
Total Title IV-A Safe & Drug Free Schools			3,545	0	2,954	0
Title V	C2-S1-2006	84.298	541	0	541	0
Total Title V- Innovative Programs			541	0	541	0
Total U.S. Department of Education			394,972	0	359,704	0
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Federal donated commodities	LL-P4-2006	10.550	0	2,100	0	2,100
Total Federal donated commodities			0	2,100	0	2,100
Nutrition Cluster:						
National School Breakfast Program	LL-P4-2006	10.553	40,984	0	40,984	0
National School Lunch Program	LL-P4-2006	10.555	115,399	0	115,399	0
Total Nutrition Cluster			156,383	0	156,383	0
Total U.S. Department of Agriculture			156,383	2,100	156,383	2,100
Total Federal Financial Assistance			\$551,355	\$2,100	\$516,087	\$2,100

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the Academy to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

Citizens' Academy
Cuyahoga County
1827 Ansel Road
Cleveland, Ohio 44106

To the Board of Directors:

We have audited the basic financial statements of the Citizens' Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2006, and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Academy's management dated June 19, 2007, we reported a matter related to the compliance we deemed immaterial.

Citizen's Academy
Cuyahoga County
Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Required by Government Auditing Standards
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 19, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Citizens' Academy
Cuyahoga County
1827 Ansel Road
Cleveland, Ohio 44106

To the Board of Directors:

Compliance

We have audited the compliance of the Citizens' Academy, Cuyahoga County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Citizens' Academy complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006. In a separate letter to the Academy's management dated June 19, 2007, we reported a matter related to federal non-compliance not requiring inclusion in this report.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect its major federal programs to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 19, 2007

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – 10.553 and 10.555 and Title 1 – 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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



Mary Taylor, CPA
Auditor of State

CITIZEN'S ACADEMY

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
JULY 10, 2007**