CLEVELAND ACADEMY OF SCHOLARSHIP TECHNOLOGY AND LEADERSHIP ENTERPRISE

CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE FISCALYEAR ENDED JUNE 30, 2008

YEAR AUDITED UNDER GAGAS: 2008

CAUDILL & ASSOCIATES CPA's

725 5TH Street
Portsmouth, Ohio 45662

Mary Taylor, CPA
Auditor of State

Board of Directors
Cleveland Academy of Scholarship, Technology and Leadership Enterprise
1729 Superior Avenue
Cleveland, Ohio 44114

We have reviewed the *Independent Auditor's Report* of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cleveland Academy of Scholarship, Technology and Leadership Enterprise is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 17, 2009

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

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CAUDILL & ASSOCIATES, CPA's
725 5th Street
Portsmouth, Ohio 45662

Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants
Member Kentucky Society of Certified Public Accountants

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:

We have audited the accompanying financial statements of the business-type activities of activities of Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, (the School), as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management.

Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

There was insufficient evidence regarding capital assets, accrued wages and benefits, accounts payable, non-payroll expenses and payroll expenses during the audit period. We were unable to satisfy ourselves about capital assets, accrued wages and benefits, accounts payable, non-payroll expenses and payroll expenses by means of other auditing procedures. Also, we did not obtain attorney letters from the school's management.

In our opinion, except for the effects of audit adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about capital assets, accrued wages and benefits, accounts payable, non-payroll expenses, payroll expenses and obtaining an attorney letter from the school's management, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the School, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 31, 2009, 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. 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* and should be read in conjunction with this report in considering the results or our audit.

Board of Directors
Cleveland Academy of Scholarship, Technology and Leadership Enterprise
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
March 31, 2009

The discussion and analysis of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. 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.

Financial Highlights

- The School had net assets of $379,328 as of June 30, 2008.

- Total assets at fiscal year-end were $476,476 and total liabilities were $97,148.

- The School had operating revenues for fiscal year 2008 of $2,268,207 and operating expenses $2,332,673.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of the School's net assets for fiscal year 2007 and 2008.

(Table 1)
Net Assets

	2007	2008	Change
Assets			
Current Assets	$48,519	$12,785	($35,734)
Capital Assets, Net	411,691	463,691	52,000
Total Assets	460,210	476,476	16,266
Liabilities			
Current Liabilities	97,312	97,148	(164)
Net Assets			
Invested in Capital Assets	411,691	463,691	52,000
Restricted Net Assets	0	0	0
Unrestricted	(48,793)	(84,363)	(35,570)
Total Net Assets	$362,898	$379,328	$16,430

Total assets increased $16,266, due to the reporting of capital assets during fiscal year 2008. Liabilities decreased by $164 mainly in accounts payable due to the timing of when invoices were paid and accrued wages and benefits. The increase in total net assets was $16,266, which was the result of the fiscal year 2008 reporting of capital asset additions.

Table 2 shows the changes in net assets for fiscal year 2007 and 2008.

(Table 2)
Change in Net Assets

	2007	2008	Change
Operating Revenues:			
State Foundation	$2,056,643	$2,194,080	$137,437
Poverty Based Assistance	39,826	74,127	34,301
Total Operating Revenues	2,096,469	2,268,207	171,738
Non-Operating Revenues:			
Federal and State Grants	249,029	76,961	(172,068)
Commodities	0	1,600	1,600
Gifts and Donations	728	1,750	1,022
Miscellanous/Interest	37,747	585	(37,162)
Total Non-Operating Revenues	287,504	80,896	(206,608)
Total Revenues	2,383,973	2,349,103	(34,870)
Operating Expenses			
Salaries	944,597	892,207	(52,390)
Fringe Benefits	130,749	142,659	11,910
Purchased Services	822,121	837,203	15,082
Rent	491,903	405,494	(86,409)
Materials and Supplies	57,203	55,110	(2,093)
Total Expenses	2,446,573	2,332,673	($113,900)
Change in Net Assets	(62,600)	16,430	79,030
Net Assets Beginning of Year	425,498	362,898	(62,600)
Net Assets End of Year	$362,898	$379,328	$16,430

Net assets increased from 2007 to 2008, by $16,430. There was an increase in revenues of $171,738, mainly State foundation, and a decrease in expenses of $113,900, mainly salaries and rent, from fiscal year 2007. Revenues increased due to a large increase in enrollment resulting in more foundation revenues. The significant decrease in rent and salaries was reduced by the fact that fiscal year 2007 was the first year of existence for the School incurring large amounts of expenditures for materials and supplies and in fiscal year 2008 materials and supplies expenditures were significantly lower.

Capital Assets

At the end of fiscal year 2008 the School had $463,691, invested in furniture and equipment and vehicles. Table 3 shows fiscal year 2008.

(Table 3)
Capital Assets at June 30, 2008
(Net of Depreciation)

	2008
Furniture and Equipment	$463,691
Totals	$463,691

For more information on capital assets see Note 4 to the basic financial statements.

Debt Administration

The School does not have any outstanding debt at June 30, 2008.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Carl Shye, Treasurer at Cleveland Academy of Scholarship, Technology and Leadership Enterprise, 1739 Superior Avenue, Cleveland, Ohio 44114.

CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE
STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets:	
Current Assets:	
Cash and Cash Equivalents	$12,785
Total Current Assets	12,785
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	463,691
Total Non-Current Assets	463,691
Total Assets	476,476
Liabilities:	
Current Liabilities:	
Accounts Payable	43,923
Accrued Wages and Benefits Payable	53,225
Total Current Liabilities	97,148
Total Liabilities	97,148
Net Assets:	
Invested in Capital Assets	463,691
Unrestricted	(84,363)
Total Net Assets	$379,328

See accompanying notes to the basic financial statements

CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues:	
State Foundation	$2,194,080
Poverty Based Assistance	74,127
Total Operating Revenues	2,268,207
Operating Expenses:	
Salaries	892,207
Fringe Benefits	142,659
Purchased Services	837,203
Rent	405,494
Materials and Supplies	55,110
Total Operating Expenses	2,332,673
Operating Income	(64,466)
Non-Operating Revenues:	
Federal and State Grants	76,961
Commodities	1,600
Gifts and Donations	1,750
Interest	585
Total Non-Operating Revenues	80,896
Change in Net Assets	16,430
Net Assets Beginning of Year	362,898
Net Assets End of Year	$379,328

See accompanying notes to the basic financial statements

CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Provided by Operating Activities:	
Cash Received from State of Ohio	$2,281,721
Cash Payments to Employees for Services	(953,363)
Cash Payments to Suppliers for Goods and Services	(1,392,988)
Net Cash Used for Operating Activities	(64,630)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	78,561
Gifts and Donations	1,750
Net Cash Provided by Noncapital Financing Activities	80,311
Cash Flows for Capital Financing Activities:	
Payments for Capital Acquisitions	(52,000)
Net Cash Used for Noncapital Financing Activities	(52,000)
Cash Flows for Investing Activities:	
Interest	585
Net decrease in Cash and Cash Equivalents	(35,734)
Cash and Cash Equivalents at Beginning of Year	48,519
Cash and Cash Equivalents at End of Year	$12,785
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	($64,466)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Payable	41,173
Decrease in Accrued Wages and Benefits	(23,221)
Decrease in Intergovernmental Payable	(18,116)
Total Adjustments	(164)
Net Cash Provided by Operating Activities	($64,630)

See accompanying notes to the basic financial statements

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Cleveland Academy of Scholarship, Technology and Leadership Enterprises (the School) is an Ohio Public Benefit Corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702.01(P) to address the needs of students in grades 9 through 12. 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 sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The School was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) commencing October 4, 2004 and ending June 30, 2009. 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 contracted with Kids 2000/Educational Management Alliance, Inc. (EMA) to perform extended educational services. One member of Educational Management Alliance, Inc. also serves on the School's Governing Board. This related party transaction will be further discussed in Note 12 to the basic financial statements.

The School operates under the direction of a five-member Governing Board. 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 qualifications of teachers.

The primary government of the School consists of one fund, several departments and the Board. School programs include general operations and student related activities of the School. The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 13)

NOTE 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 School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

The School'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.

The School uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial positions and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, and entitlements, 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 expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

All monies received by the School are maintained in demand deposit accounts. All funds of the School are maintained in these accounts. Total cash for all funds is presented as "Cash and Cash Equivalents" on the accompanying statement of net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets

Capital assets are capitalized at cost or estimated historical cost (which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars. The School does not possess any infrastructure. Per the policy at the School, no depreciation is taken in the year of acquisition. Improvements are 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.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Equipment	5-30 years
Vehicles	10-20 years

F. Compensated Absences

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy. The School records a liability for accumulated unused sick leave for all employees with ten years of current service for all positions (including certified and non-certified staff). Since the School has not been in operation for ten years, there is no sick leave benefits liability.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets include federal and State grants restricted to expenditures for specific purposes. The School applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available.

No restricted net assets were reported in the government-wide statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as 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 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 amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The review for fiscal year 2008 did not identify any overpayments.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

J. 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.

K. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

NOTE 3 – DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School's bank balance of $12,785 was not subject to custodial credit risk as it was fully insured by FDIC.

The School has no policy for custodial risk for deposits.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital Assets Being Depreciated:				
Furniture and Equipment	$411,691	$52,000	$0	$463,691
Total Capital Assets being Depreciated	411,691	52,000	0	463,691
Less Accumulated depreciation:				
Furniture and Equipment	0	0	0	0
Total Accumulated Depreciation	0	0	0	0
Total Capital Assets Being Depreciated, Net	$411,691	$52,000	$0	$463,691

NOTE 5 - RISK MANAGEMENT

A. Property and 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. Buildings and contents are covered under Westfield Insurance Company with a $1,000 deductible. Electronic data processing equipment is covered under Westfield Insurance Company with a $1,000 deductible. The School carries liability insurance with Westfield Insurance Company of $1,000,000 single occurrence and $2,000,000 aggregate.

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

B. Worker's Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. 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 to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $28,334, $42,816, and $13,183, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System

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.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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 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 the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $115,550, $78,792, and $37,868 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

NOTE 7 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2008, 4.18 percent of covered payroll was allocated to health care and Medicare B Funds. The actuarially required contribution (ARC) as of the June 30, 2008 annual valuation is 13.41% of covered payroll. The ARC represents the level of funding that , if paid on a ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

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. Statutes provide that no employer shall pay a health care surcharge greater than 2% o of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $8,017, and $8,522, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org 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 2008, 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 year ended June 30, 2008 was $1,229, 100 percent has been contributed for fiscal year 2008.

NOTE 8 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining sick leave components are derived from State Laws. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 120 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused, up to a maximum of 120 days for employees.

B. Medical

The School offers medical insurance through American Trust Company to full-time employees. The contribution to the monthly premium for medical insurance shall be 20% paid by the staff member and 80% paid by the Board. Monthly premiums for the medical insurance are the following:

Single:	$262 per month
Enrollee plus spouse:	$577 per month
Enrollee plus children:	$443 per month
Family:	$811 per month

NOTE 9 – LEASES

The School subleases two office facilities from Superior Lofts, LLC for school space located at 1729 Superior Avenue, Cleveland, OH 44114.

The term of the lease began September 1, 2006 and continues through August 31, 2020. The lease payment is $30,000 per month. Tenant is responsible for all repairs to the building.

The following is a schedule of future minimum payments required under the above operating lease as of June 30, 2008 are as follows:

Year Ending June 30, 2008	Amount
2009	$ 360,000
2010	360,000
2011	360,000
2012	360,000
2013	360,000
2014- 2018	1,800,000
2019 - 2020	780,000
	$ 4,380,000

NOTE 10 - CONTINGENCIES

A. Grants

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. No payables were due of the School at June 30, 2008.

C. Litigation

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

NOTE 11 – RELATED PARTY TRANSACTIONS

The School contracted with Kids 2000/Educational Management Alliance, Inc. (EMA) to perform extended educational services. One member of EMA also serves on the School's Governing Board. Total payments made for these services during the fiscal year ended were $47,056.

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA $3,346 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

NOTE 13 - COMPLIANCE

The School had citations with Ohio Rev. Code Section 117.38, Ohio Rev. Code Section 4123.25, Ohio Rev. Code Section 149.351, and Ohio Rev. Code Section 3313.64(J)

CAUDILL & ASSOCIATES, CPA's
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Member Ohio Society of Certified Public Accountants
Member Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *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 the financial statements of Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, (the School) , as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009, which was qualified for lack of evidential matter regarding capital assets, accrued wages and benefits, accounts payable, non-payroll expenses, payroll expenses and obtaining an attorney letter from school management for fiscal year 2008. Except for the scope limitations described above, we conducted our audit with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financing reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with *Generally Accepted Accounting Principles*, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. The results of our tests disclosed seven instances of significant internal control deficiencies that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-002, 2008-003, 2008-004, 2008-005, 2008-006, 2008-007, and 2008-008.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal controls over financial reporting as items 2008-003, 2008-004, 2008-007, and 2008-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards,* which is described in the accompanying schedule of findings and responses as items 2008-001, 2008-002, 2008-003, and 2008-004.

We noted certain other matters that we reported to the School's management in a separate letter dated March 31, 2009.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
March 31, 2009

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

Finding No.2008-001
Non-Compliance Citation – Failure to file report in accordance with ORC Section 117.38

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and the schedules used to make these management decisions.

The Ohio Revised Code Section 117.38 mandates that GAAP-basis entities must file their reports with the Auditor of State within 150 days of the entity's end of the year. In addition the public office must publish a notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.

The School's Fiscal Year 2008 report was not filed with the Auditor of State on time, and no notice of availability of the financial report was published.

The School should ensure that its financial reports are timely filed with the Auditor of State. In addition, the School should ensure that notice of availability of the financial reports are published in the newspapers are required by the Ohio Revised Code.

Client Response:

The School will make efforts to ensure compliance will be met.

Finding No.2008-002
Noncompliance Citation/Significant Internal Control Deficiency – Payroll Records

Documentation of coverage under the Bureau of Worker's Compensation was not presented for audit.

Ohio Revised Code 4123.25 states that no employer shall knowingly misrepresent to the Bureau of Worker's Compensation the amount of classification of payroll upon which the premium under this chapter is based. Whoever violates this division shall be liable to the state in an amount determined by the administrator of worker's compensation for not more than ten times the amount of the difference between the premium paid and the amount the employer should have paid. The liability to the state under this division may be enforced in a civil action in the name of the state, and all sums collected under this division shall be paid into the state insurance fund.

The School should process the Bureau of Worker's Compensation reports in an accurate and timely manner based on the payroll expenditures and proper job classifications.

Client Response:

The School made no response.

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

Finding No.2008-003
Noncompliance Citation/Significant Internal Control Deficiency/Material Weakness – Failure to maintain adequate supporting documentation of expenditures, accounts payable and accrued wages and benefits

Ohio Rev. Code Section 149.351 states all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under the Ohio Rev. Code Section 149.41. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Adequate supporting documentation is a key control in the receipts, disbursement and accrued liability process to determine if expenditures are for their intended use and in the control process of recording of liabilities of accrued wages and benefits.

In fiscal year 2008, it was found that 10% of the disbursements tested were not supported by adequate supporting documentation (invoice, receipts of payments or contractual agreements). As well, 12% of the expenditures tested did not have purchase orders approved by the Chief Financial Officer, as stipulated by the School's unofficial purchasing procedures. In addition, accrued wages and benefits were not supported with adequate supporting documentation, and could not be tested.

The lack of adequate supporting documentation could result in funds being spent on unauthorized purchases, incorrect amounts being paid, duplication of payments and payments made to fictitious vendors and employees. The School should require that original invoices or contractual agreements be submitted and attached to the voucher before payment is made. In addition, the School should ensure that purchase orders are properly issued and approved prior to contracting or acquiring goods and services as required by the School's purchasing policy.

The School should also take steps to insure that all transactions and journal entries have adequate supporting documentation. As well, all bank statements and deposit slips should be maintained to serve as supporting documentation for the financial transactions of the School.

Client Response:

The School made no response.

Finding No.2008-004
Noncompliance Citation/Significant Internal Control Deficiency/Material Weakness – Failure to provide documentation for student listing.

Ohio Rev. Code Section 3313.64(J) states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of this report, the superintendent shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount requires to be paid by the state.

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

Finding No.2008-004(Cont'd)

The School presented no documentation to support the student listing as required by Ohio Rev. Code Section 3313.64(J).

The School failing to present the adequate reports to substantiate the student listing results in being non-compliant with Ohio Rev. Code Section 3313.64(J).

The School should ensure that the required documents are prepared and filed timely and presented to the auditors and Federal and State Regulatory bodies upon request.

Client Response:

The School made no response.

Finding No.2008-005
Significant Internal Control Deficiency – Cash Controls

The treasurer performed monthly cash reconciliations; however, the Board of Directors did not sign off on the reconciliations. Therefore, there was no evidence of their review and approval of the cash transactions performed by the treasurer.

During testing, it was noted that several copies existed of the same cash reconciliation with dissimilar amounts. Neither was approved nor signed by the Board.

Failure by the Board of Directors to review and approve all cash transactions compromises the internal control environment of the School.

The School should develop and adopt appropriate procedures to ensure that cash transactions are consistently reviewed and approved.

Client Response:

The School made no response.

Finding No.2008-006
Significant Internal Control Deficiency – Failure to obtain and maintain employee contracts

Three of the School's employees did not have contracts.

All employees of the School should be approved by the governing board and the hiring should be recorded in the board minutes including the salary rate and period of employment. Additionally, employment contracts should be prepared and signed by the employee and the appropriate school officials. Procedures should be developed and implemented to provide that all potential employees are approved by the Board prior to beginning work and that formal contracts, including salary rates and other expectations, are prepared and signed by both employee and school officials.

Client Response:

The School will ensure that employee contracts are obtained and maintained as appropriate in the future.

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)

Finding No.2008-007
Significant Internal Control Deficiency/Material Weakness – Failure to maintain a capital assets listing

Adequate capital assets inventory and listing is a key control in the School's ability to determine if capital assets are purchased and maintained for their intended use. A complete capital asset listing should be maintained at all times, updated by additions to and disposals of capital assets.

Without a proper capital assets listing, the School's capital assets will be difficult to monitor, and this could lead to the misappropriation of the School's fixed assets.

The School should take steps to insure that a complete listing of capital assets is in place and is monitored by appropriate personnel.

Client Response:

The School made no response

Finding No.2008-008
Significant Internal Control Deficiency/Material Weakness – Failure to properly post disbursements and adjusting entries

All disbursements should be posted in accordance with the Auditor of State account codes and in the proper object class. As well, audit adjustments recommended by the auditors should be posted in a timely manner.

During 2008, there were numerous errors in the posting of disbursements including improper account coding. As well, recommended audit adjustments from prior year audit was not performed, causing a difference between beginning balances of fiscal year 2008 to ending balances of fiscal year 2007.

Failure to accurately post disbursements and perform audit adjustments to the correct funds could result in a material misstatement of the financial statements.

The School should implement procedures to ensure that all receipts and disbursements are posted to the correct fund and maintain supporting documentation on all entries. As well, audit adjustments should be performed in a timely manner.

Client Response:

The School made no response.

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

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Failure to maintain supporting documentation of expenditures and accounts payable	No	Reissued as finding # 2008-003
2007-002	Failure to obtain and maintain computer systems controls	Yes	N/A
2007-003	Failure to maintain cash controls	No	Reissued as finding # 2008-005
2007-004	Failure to maintain a capital asset listing	No	Reissued as Finding # 2008-007
2007-005	Failure to maintain an accounts payable subsidiary ledger	Yes	N/A

Mary Taylor, CPA
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
OCTOBER 8, 2009

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