



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cleveland Academy of Scholarship, Technology and Leadership Enterprise
Cuyahoga County
3950 Prospect Avenue
Cleveland, Ohio 44115

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, Ohio, (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2018, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 8, 2018

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)**

Our management's discussion and analysis of the Cleveland Academy of Scholarship, Technology, and Leadership Enterprise's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

Key Financial Highlights for the School for the 2016 - 2017 school year are as follows:

- Total assets decreased \$21,995 from the prior year.
- Total deferred outflows increased \$157,028 from the prior year.
- Total liabilities increased \$53,168 from the prior year.
- Total deferred inflows decreased \$28,764 from the prior year.
- Total net position increased \$110,629 from the prior year.
- Total revenues decreased \$245,237 from the prior year.
- Total operating expenses decreased \$258,709 from the prior year.

Using This Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and change in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity. Therefore, the entity-wide and the fund presentation information is the same.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2017. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)**

Statement of Net Position (continued)

Table 1 provides a summary of the School's Net Position for fiscal years 2017 and 2016.

(Table 1)
Statement of Net Position

	2017	2016
Assets		
Current Assets	\$ 41,017	\$ 63,012
Capital Assets, Net	958	958
Total Assets	41,975	63,970
Deferred Outflow of Resources		
Pension System	422,258	265,230
Liabilities		
Current Liabilities	394,757	539,813
Long Term Liabilities	2,664,637	2,466,413
Total Liabilities	3,059,394	3,006,226
Deferred Inflow of Resources		
Pension System	263,963	292,727
Net Position		
Investment in Capital Assets	958	958
Unrestricted	(2,860,082)	(2,970,712)
Total Net Position	\$ (2,859,124)	\$ (2,969,753)

Total assets decreased \$21,995. This decrease is primarily due to a decrease in intergovernmental receivable. Deferred outflows of resources increased \$157,028. Total liabilities increased by \$53,168. This increase is primarily due to an increase in accounts payable, judgment payable and net pension liability. Deferred inflows of resources decreased \$28,764. The changes in deferred outflows and inflows of resources were impacted by the implementation of GASB 68. The School operates under a management agreement with The Educational Empowerment Group, LLC (see notes to the financial statements, note 7).

During a prior year, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)**

Statement of Net Position (continued)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rate are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)**

Statement of Revenues, Expenses, and Change in Net Position

Table 2 shows the change in Net Position for fiscal years 2017 and 2016, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

(Table 2)

Change in Net Position

	2017	2016
Operating Revenue		
State Aid	\$ 1,079,561	\$ 1,433,232
Casino Revenue	8,002	10,102
Miscellaneous local revenue	47,595	-
Non-Operating Revenues		
Federal Grants	253,377	180,631
Miscellaneous	-	9,807
Total Revenues	1,388,535	1,633,772
Operating Expenses		
Salaries and wages	415,609	777,950
Fringe benefits	170,679	185,902
Purchased services	597,852	425,476
Materials and supplies	46,121	74,789
Other expenses	47,645	72,498
Total Expenses	1,277,906	1,536,615
Change in Net Position	\$ 110,629	\$ 97,157

The overall revenues decreased from 2016 due to the decrease in FTE, thereby decreasing grant aid foundation income. The School's most significant expenses, "Purchased services" are a result of the management agreement in place between the School and EEG, LLC. Effective July 1, 2017, the School entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The term of the Agreement with EEG, LLC is for 3 years and will renew for additional, successive three (3) year terms. The agreement provides that specific percentages of the revenues received by the School will be paid to EEG, LLC to fund operations (see notes to the financial statements, note 7).

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)**

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, (with the exception of section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted the Ohio Department of Education, annually.

Capital Assets

At fiscal year ended June 30, 2017, the School's net capital asset balance was \$958. For more information on capital assets, see Note 5 of the Basic Financial Statements.

Current Financial Issues

The School received revenue for 135 students in 2017. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries.

The School receives its support almost entirely from state aid. Per pupil revenue from state aid for the School averaged \$6,000 in fiscal year 2017. The School receives additional revenues from grant subsidies.

Although there is a possibility that state aid will be cut in future years due to the economic climate, the School feels that the relationship with the management company will insulate them from any significant change. The relationship brings stability to the School since specific percentages of revenues are payable to the management company (See notes to the basic financial statements, note 7).

Contacting the School's Financial Management

This financial report is designed to provide our readers 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 the Fiscal Officer at 3320 West Market Street, Suite 300, Fairlawn, Ohio 44333.

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**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
 CUYAHOGA COUNTY
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

ASSETS

Current Assets

Cash & cash equivalents	\$	2,442
Prepaid insurance		2,643
Intergovernmental receivable		16,432
Security deposit, etc.		19,500
		41,017
Total current assets		41,017

Noncurrent assets

Capital assets, net		958
		958

Total assets

41,975

DEFERRED OUTFLOWS OF RESOURCES

Pension		422,258
		422,258

LIABILITIES

Current liabilities

Accounts payable		341,682
Accrued wages and benefits		32,300
Loans payable - EEG		48,420
Accrued expenses - other		7,221
Judgment payable		9,300
Pension obligation payable		(44,166)
		394,757
Total current liabilities		394,757

Long term liabilities

Net pension liability		2,320,857
Judgment payable		343,780
		2,664,637

Total long term liabilities

2,664,637

Total liabilities

3,059,394

DEFERRED INFLOWS OF RESOURCES

Pension		263,963
		263,963

NET POSITION

Invested in capital assets		958
Unrestricted net position		(2,860,082)
		(2,860,082)

Total net position

\$ (2,859,124)

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

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
 CUYAHOGA COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES

State basic aid	\$ 1,052,493
Facilities aid	27,068
Miscellaneous local revenue	47,595
Casino revenue	8,002
Total operating revenues	1,135,158

OPERATING EXPENSES

Salaries and wages	415,609
Fringe benefits	170,679
Purchased services	597,852
Materials and supplies	46,121
Other expenses	47,645
Total operating expenses	1,277,906
Operating loss	(142,748)

NON-OPERATING REVENUES

Federal grants	253,377
Total non-operating revenues	253,377
Change in net position	110,629
Net position, July 1, 2016	(2,969,753)
Net position, June 30, 2017	\$ (2,859,124)

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

**CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY, AND LEADERSHIP ENTERPRISE
 CUYAHOGA COUNTY
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from state aid	\$	1,115,220
Cash payments to suppliers for goods and services		(1,367,917)
		(252,697)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from grant programs		246,323
Cash received from miscellaneous revenue		-
		246,323
Net cash received from noncapital financing activities		246,323
Net decrease in cash and cash equivalents		(6,374)
Cash and cash equivalents at beginning of year		8,816
Cash and cash equivalents at end of year	\$	2,442

**RECONCILIATION OF OPERATING LOSS TO NET CASH
 USED FOR OPERATING ACTIVITIES**

Operating loss	\$	(142,748)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
 CASH USED FOR OPERATING ACTIVITIES**

Changes in assets, liabilities, and deferred outflows/inflows of resources:		
Prepaid insurance		(2,643)
Accrued SERS & STRS		(18,848)
Pension deferred outflows		(157,028)
Accounts payable		146,792
Factored invoices sold		(246,400)
Net pension liability		227,462
Judgment payable - current		2,325
Pension deferred inflows		(28,764)
Judgment Payable		(29,238)
Intergovernmental Payable		(36,372)
Accrued expenses		7,221
Loans payable - EEG		48,420
Accrued wages and benefits		(22,876)
Total adjustments		(109,949)
Net cash used for operating activities	\$	(252,697)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Cleveland Academy of Scholarship, Technology, and Leadership Enterprise, Inc. (the School) is a federal tax exempt 501(c)(3) and state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. 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 contracts with Educational Empowerment Group, LLC (EEG, LLC) for most of its functions (see note 7).

The School signed a contract with The Educational Resource Consultants of Ohio, Inc. (ERCO) (Sponsor) to operate for a period from July 1, 2016 through June 30, 2020. The School operates under a self-appointing, five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. (The School has two instructional/support facilities, which are leased by EEG, LLC. The facilities are staffed with teaching personnel employed by EEG, LLC, who provide services to 135 students).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School 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 more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. 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) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources as well as all liabilities and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2017. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

D. Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program, facilities aid, 22+ adult high school diploma program, and casino tax distributions, which are reflected under "Operating revenues" on the Statement of Revenues, Expenses, and Changes in Net Position. Revenues received from these programs are recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions 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 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. Amounts awarded under the above programs for the 2017 school year totaled \$1,087,563.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets and Depreciation

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

As of June 30, 2017, the School's capital assets had a net book value of \$958 (see note 5). Depreciation is computed by the straight-line method over five years for all assets. The useful lives are as follows:

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

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with EEG, LLC (see note 7).

G. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net Position consists of capital assets, net of accumulated depreciation and unrestricted.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily state aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of the financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net for pension. The deferred outflows of resources related to pension are explained in note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applied to a future period and will not be recognized until that time. For the School, deferred inflows of resources include pension. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension are reported on the statement of net position. (See note 10)

L. Compensated Absences

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

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

M. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements which consist of accounts payable, intergovernmental payable, accrued wages and benefits, judgment payable, accrued expenses, pension obligation payable, and loans payable of \$738,537 at June 30, 2017.

At June 30, 2017 the school's pension obligation payable was (\$44,166). This liability was negative because it was overfunded during fiscal year 2017. A summary of pension obligation payables follows:

Funding Source	Amount
Pension Obligation Payable:	
STRS & SERS School Accrual	\$ (45,511)
STRS & SERS Withheld	1,345
Total Pension Obligation Payable	\$ (44,166)

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Exchange and Non-Exchange Transactions

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other government and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB No. 78 did not have an effect on the financial statements of the Academy.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

4. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

As of June 30, 2017, the carrying amount of all School deposits was \$2,442. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, none of the School's bank balance of \$2,442 was exposed to custodial risk as discussed below, since all of the bank balance was covered by the Federal Depository Insurance Corporation.

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4. DEPOSITS AND INVESTMENTS (continued)

A. Deposits with Financial Institutions (continued)

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. 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 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 School.

B. Investments

As of June 30, 2017, the School had no investments.

5. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2017, the School's capital assets consisted of the following:

	Balance			Balance
	<u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>
Capital Assets Being Depreciated				
Computers and Software	\$ 141,139	\$ -	\$ -	\$ 141,139
Furniture and Fixtures	6,015	-	-	6,015
Textbooks	25,905	-	-	25,905
Equipment	132,181	-	-	132,181
Total Capital Assets Being Depreciated	<u>305,240</u>	<u>-</u>	<u>-</u>	<u>305,240</u>
Less Accumulated Depreciation				
Computers and Software	(140,181)	-	-	(140,181)
Furniture and Fixtures	(6,015)	-	-	(6,015)
Textbooks	(25,905)	-	-	(25,905)
Equipment	(132,181)	-	-	(132,181)
Total Accumulated Depreciation	<u>(304,282)</u>	<u>-</u>	<u>-</u>	<u>(304,282)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958</u>

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6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with EEG, LLC, EEG, LLC has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (see note 7). There have been zero claims the past four years, nor has there been a reduction in insurance coverage from the prior year. Commercial general liability coverage has been purchased by the School with a \$2,000,000 aggregate limit and a \$1,000 deductible. Also, a commercial umbrella liability coverage policy has been purchased with a \$1,000,000 aggregate limit.

Director and Officer – The School has purchased a \$25,000 bond on the fiscal officer.

Worker's Compensation – The school is responsible for paying the State Worker's Compensation System a premium for employee injury coverage.

7. AGREEMENT WITH EDUCATIONAL EMPOWERMENT GROUP, LLC

Effective July 1, 2016, the School entered into a management agreement (Agreement) with Educational Empowerment Group, LLC (EEG, LLC), which is an educational consulting and management company. The term of the Agreement with EEG, LLC is for 3 years and will renew for additional, successive three (3) year terms unless one party notifies the other party no later than six months prior to the term expiration date of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to EEG, LLC. EEG, LLC is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay EEG, LLC a monthly continuing fee of 16 percent of the School's "Qualified gross revenues", defined in the Agreement as, all revenues and income received by the School except for charitable contributions. The continuing fee is paid to EEG, LLC based on the qualified gross revenues.

The School had purchased services for the year ended June 30, 2017, to EEG, LLC, of \$597,852 and a payable of \$93,306 to EEG, LLC. EEG, LLC will be responsible for procuring the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance which are then invoiced to the school or reimbursed to EEG, LLC.

8. SPONSORSHIP FEES

Under Paragraph D(4) of the sponsor contract with ERCO, it states that the School "...shall pay to the Sponsor, the amount of three percent (3%) of all state funds received each year, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract." Such fees are paid to the ERCO monthly. As indicated on the statement of revenues, expenses, and changes in Net Position, the School incurred \$31,417 in sponsorship fees to ERCO.

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(Continued)**

9. PURCHASED SERVICES

For the year ended June 30, 2017, purchased service expenses were as follows:

Purchased Services	Amount
Direct Expenses:	
Personnel services	\$ 181,594
Professional services	151,992
Building services	190,697
Food service	42,152
Sponsor services	31,417
Total	\$ 597,852

10. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on the accrual basis of accounting.

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10. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description – School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School's contractually required contribution to SERS was \$22,221 for fiscal year 2017.

C. Plan Description – State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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10. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description – State Teachers Retirement System (STRS) (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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.

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10. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description – State Teachers Retirement System (STRS) (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$38,990 for fiscal year 2017.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 534,556	\$ 1,786,301	\$ 2,320,857
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00885580%	0.00579554%	
Prior Measurement Date	0.00684790%	0.00672193%	
Change in Proportionate Share	<u>(0.00062810%)</u>	<u>(0.00060043%)</u>	
Pension Expense	\$ (21,794)	\$ 124,675	\$ 102,881

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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10. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$7,210	\$72,175	\$79,385
Net difference between projected and actual earnings on pension plan investments	44,094	148,310	192,404
Changes of assumptions	35,685	0	35,685
Changes in proportion and differences between School contributions and proportionate share of contributions	0	53,572	53,572
School District contributions subsequent to the measurement date	<u>22,221</u>	<u>38,990</u>	<u>61,211</u>
Total Deferred Outflows of Resources	<u>\$109,210</u>	<u>\$313,047</u>	<u>\$422,257</u>
Deferred Inflows of Resources			
Difference between School District contributions and proportionate share of contributions	<u>128,361</u>	<u>135,602</u>	<u>\$263,963</u>
Total Deferred Inflows of Resources	<u>\$128,361</u>	<u>\$135,602</u>	<u>\$263,963</u>

\$61,211 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ (35,782)	\$ 18,867	\$ (16,915)
2019	(35,812)	18,866	(16,946)
2020	17,547	75,774	93,321
2021	12,675	24,948	37,623
	<u>\$ (41,372)</u>	<u>\$ 138,455</u>	<u>\$ 97,083</u>

E. Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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10. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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10. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School proportionate share of the net pension liability	\$707,719	\$534,556	\$389,612

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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10. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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10. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School proportionate share of the net pension liability	\$2,373,849	\$1,786,301	\$1,290,670

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School's net pension liability is expected to be significant.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

11. POSTEMPLOYMENT BENEFITS (continued)

A. School Employee Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School's surcharge obligation was \$2,097.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School's contributions for health care for the fiscal year ended June 30, 2015, was \$3,224. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

Plan Description – The School participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan.

All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School did not contribute to health care in the last three fiscal years.

12. CONTINGENCIES

A. Grants

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

12. CONTINGENCIES (continued)

B. Enrollment FTE

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

13. RECEIVABLES

Receivables at June 30, 2017 consisted of federal grants, state foundation and intergovernmental receivables arising from grants, entitlements, and accounts receivable from miscellaneous governments. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

<u>Funding Source</u>	<u>Amount</u>
Intergovernmental Receivable:	
JV39 FY17 Adjustment	\$ 6,347
Title I	499
Title II-A	5,074
Idea-B	4,401
Preliminary balance from prior treasurer	111
Total Intergovernmental Receivable	<u>\$ 16,432</u>

14. OPERATING LEASE

On October 2014, the School entered into a lease agreement with the George Group for 19,000 square feet located at 3950 Prospect Avenue. The current rental amount is \$15,500 and will increase to \$16,500 during fiscal year 2018 and through fiscal year 2023.

On June 15, 2017, the School entered into a lease agreement with The Savron Group for a second location at 12000 Snow Road. The rental amount is \$4,000 and expires two years from the Commencement date.

Total rent expense included other facility related costs, utilities, and late fees related to the building being rented. For the fiscal year ended June 30, 2017, total rent expense was \$154,008. A summary of the next five years rent payments for both locations are seen below:

	<u>Main Location</u>	<u>Parma Location</u>	<u>Total</u>
2018	\$ 186,600	\$ 48,000	\$ 234,600
2019	198,000	48,000	246,000
2020	198,000	-	198,000
2021	198,000	-	198,000
2022	198,000	-	198,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)**

15. LITIGATION

In 2015, the School was named a defendant in a civil suit filed in the Cuyahoga County Common Pleas Court, involving a lease agreement dispute. August 2016, a judgment was granted in favor of the plaintiff, Sunshine Limited Partnership against the School in the amount of \$313,555. October 2016, the Court granted the School's motion to stay execution pending an appeal.

In 2015, the School was named a defendant in a civil suit filed in the Cuyahoga County Common Pleas Court, involving a copier lease agreement dispute. September 2016, the plaintiff, US Bank National Association dba US Bank Equipment Finance settled with the School for the total principal amount of \$46,500 to be payable in 60 equal payments of \$775 beginning October 2016.

In December 2017, the School was named a defendant in a civil suit filed in the Cuyahoga County Common Pleas Court, involving an EMIS services agreement dispute. April 2018, the plaintiff, Mangen & Associates settled with the School for the total principal amount of \$14,175 to be payable in 7 equal payments of \$2,025 beginning May 2018.

16. DEBT – LONG AND SHORT TERM LIABILITIES

On June 30, 2017, the Schools long and short term liabilities were as follows:

Long and Short Term Liabilities

<u>Long-Term Debt</u>	<u>Amount</u>
Sunshine Limited Partnership	\$ 313,555
US Bank National Association	30,225
Total Long-Term Debt	<u>\$ 343,780</u>

<u>Short-Term Debt</u>	<u>Amount</u>
US Bank National Association	\$ 9,300
Total Short-Term Debt	<u>\$ 9,300</u>

17. DEFICIT NET POSITION

The School's Net Position at June 30, 2017 was \$(2,859,124). This was due to the fact that the School's current liabilities exceeded its available assets to meet those obligations. The Board remains committed to the success of the School both academically and financially and is focused on overcoming this deficit through increases in student enrollment that will lead to higher revenues, or reductions of current operating expenses.

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

*Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Employees Retirement System (SERS)				
School's Proportion of the Net Pension Liability	0.00730360%	0.00793170%	0.01130900%	0.01130900%
School's Proportionate Share of the Net Pension Liability	\$ 534,556	\$ 452,590	\$ 572,342	\$ 672,510
School's Covered-Employee Payroll	\$ 226,821	\$ 253,642	\$ 331,934	\$ 379,617
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	178.44%	178.43%	177.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

State Teachers Retirement System (STRS)

School's Proportion of the Net Pension Liability	0.00533654%	0.00593697%	0.00562466%	0.00562466%
School's Proportionate Share of the Net Pension Liability	\$ 1,786,301	\$ 1,640,805	\$ 1,368,112	\$ 1,629,686
School's Covered-Employee Payroll	\$ 567,271	\$ 486,000	\$ 618,885	\$ 632,069
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	314.89%	337.61%	221.06%	257.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

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

*Required Supplementary Information
Schedule of School's Contributions
Last Ten Fiscal Years (1)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Employees Retirement System (SERS)				
Contractually Required Contribution	\$ 22,221	\$ 31,755	\$ 33,430	\$ 46,006
Contributions in Relation to the Contractually Required Contribution	<u>(22,221)</u>	<u>(31,755)</u>	<u>(33,430)</u>	<u>(46,006)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered-Employee Payroll	\$ 158,721	\$ 226,821	\$ 253,642	\$ 331,934
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	\$ 38,990	\$ 79,418	\$ 68,040	\$ 80,455
Contributions in Relation to the Contractually Required Contribution	<u>(38,990)</u>	<u>(79,418)</u>	<u>(68,040)</u>	<u>(80,455)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Covered-Employee Payroll	\$ 278,500	\$ 567,271	\$ 486,000	\$ 618,885
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

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

*Required Supplementary Information
Schedule of the School's Contributions
Last Ten Fiscal Years (1)*

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 52,539	\$ 53,326	\$ 46,166	\$ 36,380	\$ 36,879	\$ 30,376
<u>(52,539)</u>	<u>(53,326)</u>	<u>(46,166)</u>	<u>(36,380)</u>	<u>(36,879)</u>	<u>(30,376)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 379,617	\$ 396,476	\$ 367,271	\$ 268,685	\$ 374,787	\$ 309,328
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%
\$ 82,169	\$ 81,979	\$ 86,011	\$ 80,293	\$ 192,512	\$ 115,550
<u>(82,169)</u>	<u>(81,979)</u>	<u>(86,011)</u>	<u>(80,293)</u>	<u>(192,512)</u>	<u>(115,550)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 632,069	\$ 630,608	\$ 661,623	\$ 617,638	\$ 1,480,862	\$ 888,846
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

Cleveland Academy of Scholarship, Technology and Leadership Enterprise
Cuyahoga County
3950 Prospect Avenue
Cleveland, Ohio 44115

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cleveland Academy of Scholarship, Technology and Leadership Enterprise, Cuyahoga County, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 8, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 8, 2018

CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017

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

FINDING NUMBER 2017-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of the financial statements and notes of the School. The following weaknesses and subsequent corrections were made to the financial statements and footnotes by Management:

- The School did not present a Judgment Payable to Sunshine Limited Partnership in the amount of \$313,555. Management believed the School will not be liable for this judgment and therefore did not initially post the payable to the financial statements.
- The School improperly titled a "Judgment Payable" to US Bank in the amount of \$39,525 as a "Note Payable - US Bank". In addition, the School recorded the entire amount as a long-term liability. Management determined that work done to adjust the June 30, 2016 balances by the prior GAAP compiler was not recorded as part of what was submitted by the School's new management group and this oversight resulted due to the close proximity of the completion of the June 30, 2016 audit and the submission of the June 30, 2017 financials for audit purpose.
- The School did not present a comprehensive Note disclosure detailing the facts of the Judgment Payable. Management believed the School will not be liable for this judgment and therefore did not initially present the required Note disclosure.
- The School incorrectly recorded the wrong beginning fund balance, resulting in understating the fund balance deficit by \$249,013. Management determined that work done to adjust the June 30, 2016 balances by the prior GAAP compiler was not recorded as part of what was submitted by the School's new management group and this oversight resulted due to the close proximity of the completion of the June 30, 2016 audit and the submission of the June 30, 2017 financials for audit purpose.
- The School improperly included \$133,064, a portion of the Sunshine LTD. judgment, as an accounts payable transaction, when the amount is included in the judgment payable. Management determined that work done to adjust the June 30, 2016 balances by the prior GAAP compiler was not recorded as part of what was submitted by the School's new management group and this oversight resulted due to the close proximity of the completion of the June 30, 2016 audit and the submission of the June 30, 2017 financials for audit purpose.

CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENTERPRISE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017
(CONTINUED)

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

FINDING NUMBER 2017-001 (CONTINUED)

Financial Reporting – Material Weakness (Continued)

The failure to accurately present financial statement transactions, note disclosures and report beginning fund balances diminishes the reliability of the financial data at year-end.

We recommend the School implement and/or strengthen controls over financial reporting. Management should ensure the financial statements and Notes to the financial statements are complete and accurate at the time of submission.

Official's Response: We agree with the Finding and will work to eliminate it moving forward.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	1. The School did not maintain documentation to support a loan from CEO Kamal Chatman. 2. The School also did not maintain invoices for four of nine accounts payable transactions.	1. Finding No Longer Valid. 2. Fully Corrected.	None

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CLEVELAND ACADEMY OF SCHOLARSHIP, TECHNOLOGY AND LEADERSHIP ENT.

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
SEPTEMBER, 4 2018**