



**Auditor of State
Betty Montgomery**

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Citizens' Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Citizens' Academy, Cuyahoga County, Ohio, as of June 30, 2005, and the changes in financial position and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2006, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

April 10, 2006

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited**

The discussion and analysis of the Citizens' Academy (the Academy) provides an overall review of the Academy's financial activities for the year ended June 30, 2005. The intent of the discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights affecting 2005 are as follows:

As anticipated, the Academy's student enrollment increased from approximately 300 in 2004 to 350 in 2005.

Total Assets increased by \$349,836 primarily due to increases of \$449,217 in cash and cash equivalents and \$66,552 in capital spending. These increases were partially offset by an increase of \$161,824 in accumulated depreciation.

Total Current Liabilities also increased by \$94,160 mainly due to higher accrued payroll, rent, and payroll taxes.

In total, Net Assets increased \$255,676.

Total Operating Revenues totaled \$2,524,639 for the year, an increase of \$486,210 from the prior year.

Using this Annual Financial Report

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

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

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

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during 2005?" These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received.

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited
(Continued)**

School-wide Financial Analysis

Table 1 provides a summary of the Academy's net assets as of June 30, 2005 and 2004.

**Table 1
NET ASSETS**

<u>Assets:</u>	<u>JUNE 30, 2005</u>	<u>JUNE 30, 2004</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 754,761	\$ 305,544
Receivables:		
Federal Title Funds	36,138	-
Gifts and Grants	120	50,000
Intergovernmental	21,573	21,254
Other (Net of Allowance)	664	6,579
Prepaid Expenses	21,515	4,917
Total Current Assets	834,771	388,294
<u>Non-Current Assets:</u>		
Deposits on Leased and Other Property	15,000	15,000
Long-Term Gifts and Grants Receivable	-	-
Assets Permanently Restricted	5,000	5,000
Other Assets	3,988	5,357
Capital Assets (Net of Accumulated Depreciation)	1,432,964	1,528,236
Total Non-Current Assets	1,456,952	1,553,593
Total Assets	2,291,723	1,941,887
<u>Liabilities and Equity:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	40,115	48,183
Due to Other Governments	103,573	82,371
Accrued Payroll	164,903	114,508
Accrued Rent	79,050	51,000
Other	4,569	1,988
Total Current Liabilities	392,210	298,050
<u>Net Assets</u>		
Investment in Capital Assets, net of related debt	1,432,964	1,528,236
Unrestricted	466,549	115,601
Total Net Assets	1,899,513	1,643,837

Total assets increased by \$349,836 mainly due to increases in cash and cash equivalents of \$449,217 and in capital spending of \$66,552. These increases were partially offset by an increase in accumulated depreciation of \$161,824. The \$449,217 increase in cash and cash equivalents resulted primarily from \$1,071,688 in non-operating grants and contributions received in 2005 (see page 11), an increase of \$439,355 from the prior year. Total liabilities of \$392,210 increased by \$94,160 essentially due to higher accrued payroll, accrued rent, and accrued taxes due to other governments. Total net assets totaled \$1,899,513 and increased from the prior year by \$255,676 due to the increases in assets and liabilities discussed above.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited
(Continued)**

Table 2 shows the changes in net assets for the years ended June 30, 2005 and 2004.

**Table 2
Revenues, Expenses and Changes in Net Assets**

	FOR THE YEAR ENDED	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<u>Operating Revenues:</u>		
Foundation Payments	\$ 2,447,830	\$ 1,970,840
Other Operating Revenues	<u>76,809</u>	<u>67,589</u>
<i>Total Operating Revenues</i>	<u>2,524,639</u>	<u>2,038,429</u>
<u>Operating Expenses:</u>		
Salaries	1,716,111	1,456,622
Fringe Benefits	508,079	420,217
Purchased Services	721,124	595,315
Materials and Supplies	206,983	134,883
Depreciation	161,824	120,090
Other Operating Expenses	<u>74,977</u>	<u>47,307</u>
<i>Total Operating Expenses</i>	<u>3,389,098</u>	<u>2,774,434</u>
Operating Loss	<u>(864,459)</u>	<u>(736,005)</u>
<u>Non-Operating Revenues:</u>		
Federal and State Grants	658,000	377,623
Private Grants and Contributions	453,900	216,724
Investment Earnings	<u>8,235</u>	<u>1,925</u>
<i>Total Non-Operating Revenues</i>	<u>1,120,135</u>	<u>596,272</u>
<u>Net Assets</u>		
Net Increase/(Decrease) in Net Assets	255,676	(139,733)
Total Net Assets at Beginning of the Year	<u>1,643,837</u>	<u>1,783,570</u>
Total Net Assets at End of Year	<u>\$ 1,899,513</u>	<u>\$ 1,643,837</u>

Foundation payments accounted for 97% of the Operating Revenues. Community school foundation payments are received from the Ohio Department of Education (ODE) based on various student enrollment data submitted to ODE throughout the school year. Foundation payments increased by \$476,990 to \$2,447,830 due mainly to the Academy's increase in student enrollment.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited
(Continued)**

Operating expenses for 2005 totaled \$3,389,098 which represents an increase of \$614,664 over the prior year. For 2005, the Academy changed the estimated useful life for depreciating classroom materials from 10 years to 5 years to correlate more closely to the actual useful life experienced in recent years. With the exception of this impact amounting to \$29,902, the primary reason for the remaining increase in operating expenses was to accommodate the increase in student enrollment.

Federal and state grants increased by \$280,377 to \$658,000 primarily due to increased participation in our Food Service and Before and After School Enrichment Programs as well as the increase in student enrollment.

Private grants and contributions of \$453,900 increased by \$237,176 from the prior year as a result of highly successful fundraising activities largely related to the construction of a new library/media center in the near future.

General Budget Highlights

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

Table 3 reflects capital assets, net of accumulated depreciation, as of June 30, 2005 and 2004.

**Table 3
Capital Assets (Net of Accumulated Depreciation)**

	JUNE 30, 2005	JUNE 30, 2004
Leasehold Improvements	\$1,211,036	\$1,230,106
Construction in progress	2,822	57,316
Playground	17,212	20,003
Classroom materials, furniture, equipment & computers	126,491	134,892
Office furniture, equipment & computers & servers	54,765	60,215
Other	20,638	25,704
Total	\$1,432,964	\$1,528,236

The Academy's investment in capital assets for its activities as of June 30, 2005 amounts to \$1,432,964. The Academy's fiscal-year 2006 capital budget calls for it to spend \$550,000 for capital projects, including \$300,000 on a new library/media center and \$100,000 for the renovation of a new first grade classroom.

The Academy has no long-term loan obligations outstanding.

Economic Factors and Next Year's 2006 Budget

The Academy's 2006 budget projects an increase in enrollment from approximately 350 students to 392, thus increasing projected school foundation payments to about \$2.8 million, about \$300,000 higher than in 2005. Therefore it is anticipated that compensation expense, which includes salaries and wages, payroll taxes, retirement and fringe benefits, will total about \$2.6 million or 67% of total operating expenses. The major budget economic assumptions include premiums for medical insurance will increase by 20%, dental by 10%, and all other fringes by 5%.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
Unaudited
(Continued)**

Contacting the Academy's Financial Management

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

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**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Net Assets
As of June 30, 2005

Assets:

Current Assets:

Cash and Cash Equivalents	\$	754,761
Receivables:		
Federal Title Funds		36,138
Gifts and Grants		120
Intergovernmental		21,573
Other (Net of Allowance)		664
Prepaid Expenses		21,515
<i>Total Current Assets</i>		834,771

Non-Current Assets:

Deposits on Leased and Other Property		15,000
Assets Permanently Restricted		5,000
Other Assets		3,988
Capital Assets (Net of Accumulated Depreciation)		1,432,964
<i>Total Non-Current Assets</i>		1,456,952
 <i>Total Assets</i>		 2,291,723

Liabilities and Equity:

Current Liabilities:

Accounts Payable		40,115
Due to Other Governments		103,573
Accrued Payroll		164,903
Accrued Rent		79,050
Other		4,569
<i>Total Current Liabilities</i>		392,210

Net Assets

Investment in Capital Assets, net of related debt		1,432,964
Unrestricted		466,549
<i>Total Net Assets</i>		\$ 1,899,513

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Revenues, Expenses and Changes in Net Assets
As of June 30, 2005

Operating Revenues:

Foundation Payments	\$ 2,447,830
Other Operating Revenues	76,809
	<hr/>
<i>Total Operating Revenues</i>	<i>2,524,639</i>

Operating Expenses:

Salaries	1,716,111
Fringe Benefits	508,079
Purchased Services	721,124
Materials and Supplies	206,983
Depreciation	161,824
Other Operating Expenses	74,977
	<hr/>
<i>Total Operating Expenses</i>	<i>3,389,098</i>
Operating Loss	(864,459)

Non-Operating Revenues:

Federal and State Grants	658,000
Private Grants and Contributions	453,900
Investment Earnings	8,235
	<hr/>
<i>Total Non-Operating Revenues</i>	<i>1,120,135</i>

Net Assets

Net Increase in Net Assets	255,676
Total Net Assets at Beginning of the Year	1,643,837
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Total Net Assets at End of Year	<u>\$ 1,899,513</u>

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Cash Flows
For the Year Ended June 30, 2005

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 2,457,464
Cash Payments to Suppliers for Goods and Services	(938,432)
Cash Payments to Employees for Services	(2,168,274)
Other Operating Revenues	<u>83,490</u>
Net Cash Used for Operating Activities	(565,752)

Cash Flows from Noncapital Financing Activities:

Non-Operating Grants and Contributions Received	<u>1,071,688</u>
Net Cash Received from Noncapital Financing Activities	1,071,688

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(64,472)</u>
Net Cash Used for Capital and Related Financing Activities	(64,472)

Cash Flows from Investing Activities:

Interest/Dividends Earned on Investments	<u>7,753</u>
Net Cash Received from Investing Activities	7,753
Net Decrease in Cash and Cash Equivalents	449,217
Cash and Cash Equivalents at Beginning of Year	<u>305,544</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 754,761</u></u>

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Cash Flows
For the Year Ended June 30, 2005
(Continued)

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

Operating Loss	\$ (864,459)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:**

Depreciation	161,824
Donated Services	45,809
Loss on Disposal of Assets	43
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	15,548
(Increase) in Prepaid Expenses	(16,598)
(Decrease) in Accounts Payable	(10,148)
Increase in Accrued Expenses	99,648
Increase in Other Current Liabilities	<u>2,581</u>
Total Adjustments	<u>298,707</u>
Net Cash Used for Operating Activities	<u><u>\$ (565,752)</u></u>

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

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

I. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Citizens' Academy (the Academy) is a nonprofit corporation established June 10, 1998, pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school and is organized as a tax exempt organization under § 501(c)(3) of the Internal Revenue Code exclusively for educational purposes. These purposes include the fostering of quality public education, and the advancement of the interests of public school students through the operation of a community school, the development of innovative programs in public education and the development of systems of accountability for public school student performance. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy, which is part of Ohio's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

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

As of June 30, 2005, the Academy operated under a eighteen-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls the Academy's instructional facility staffed by twenty certificated full-time teaching personnel who provide services to 350 students.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

1. Basis of Presentation

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

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

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

3. Cash and Cash Equivalents

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

4. Capital Assets and Depreciation

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

Leasehold improvements are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets are depreciated.

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

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

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid Program (DPIA). Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

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

6. Compensated Absences

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

Vacation benefits for non-teaching staff are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned. Accrued vacation pay totaling \$21,327 is reported on the Statement of Net Assets under Accrued Payroll.

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

7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

8. Private Grants and Donations

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

9. Net Assets

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

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Use of Estimates

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

III. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the Academy has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No.40,"Deposit and Investment Risk Disclosures," GASB Statement No.46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2,"Recognition of Pension and Other Post-employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

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

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

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

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

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

For 2005, the Academy has changed the estimated useful life for Classroom Materials from 10 years to 5 years to correlate more closely to the actual useful life experienced in recent years. The impact of this change for 2005 was \$29,902.

IV. BUDGETING

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

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

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

V. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2005, the carrying amount of the Academy's deposits totaled \$754,261 and its bank balance was \$776,432. Based on the criteria described in GASB statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2005, \$573,249 of the bank balance was exposed to custodial risk as discussed below, while \$203,183 was covered by the Federal Depository Insurance Corporation.

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

VI. RECEIVABLES

Receivables at June 30, 2005, consisted of Federal Title Funds, private foundation grants, intergovernmental (e.g., Federal and state grants, childcare vouchers), and Before and After School Enrichment Program fees. All receivables from Federal, State, and local governments are considered collectible in full, due to the stable condition of state programs, the current-year guarantee of Federal funds, and the financial stability of the foundation sources. Non-governmental program fees receivable are shown on the Statement of Net Assets net of a \$9,962 allowance for doubtful accounts.

VII. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance			Balance
	06/30/04	Additions	Deductions	06/30/05
Leasehold Improvements	\$1,451,325	\$57,316	\$0	\$1,508,641
Computers, Furniture, and Equipment	183,094	16,189	0	199,283
Classroom Materials and Furniture	147,630	47,541	0	195,171
Marketing Materials	1,658	0	0	1,658
Playground Equipment	27,911	0	0	27,911
Construction in Progress	57,316	2,822	(57,316)	2,822
Totals at Historical Cost	<u>1,868,934</u>	<u>123,868</u>	<u>(57,316)</u>	<u>1,935,486</u>
Leasehold Improvements	(221,217)	(76,388)	0	(297,605)
Computers, Furniture, and Equipment	(81,405)	(33,574)	0	(114,979)
Classroom Materials and Furniture	(28,924)	(48,740)	0	(77,664)
Marketing Materials	(1,244)	(331)	0	(1,575)
Playground Equipment	(7,908)	(2,791)	0	(10,699)
Construction in Progress	(0)	(0)	0	(0)
Total Depreciation	<u>(340,698)</u>	<u>(161,824)</u>	<u>0</u>	<u>(502,522)</u>
Net Fixed Assets	<u>\$1,528,236</u>	<u>\$(37,956)</u>	<u>\$(57,316)</u>	<u>\$1,432,964</u>

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

VIII. PURCHASED SERVICES

Purchased Services include the following:

Occupancy Costs	\$ 365,231
Pupil Support Services	138,110
Instruction	659
Administrative	195,196
Other	<u>21,928</u>
Total	<u>\$ 721,124</u>

IX. LEASES

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

The lease agreement between the Academy and The Temple-Tifereth Israel provides for lease payments on a fixed scheduled increase basis plus 9 percent of total revenue up to a yearly rental cap amount.

The Academy has recorded additional rent payable of \$79,050 at June 30, 2005 based upon a percentage of gross revenue pursuant to the lease agreement.

X. RISK MANAGEMENT

1. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the Academy contracted with Indiana/Cincinnati Insurance Company for all of its insurance.

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

2. Workers' Compensation

The Academy makes premium payments to the Ohio Workers' Compensation System (WC) for employee injury coverage. As of June 30, 2005, there have been three claims filed by employees with WC for the year ending June 30, 2005. In the opinion of management, these claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2005.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

X. RISK MANAGEMENT (Continued)

3. Employee Medical, Dental, and Vision Benefits

The Academy provides medical, dental, and vision insurance benefits to all full-time employees. Insurance premiums are paid by the Academy for each employee who elects to have coverage. Those employees who are eligible for coverage but choose not to take it are entitled to \$1,000 on a pro-rata basis. During the 2005 fiscal year, the costs to the Academy for medical, dental, and vision insurance benefits, net of employee contributions of 10 percent of medical premiums, were \$172,496.

XI. PENSION PLANS

1. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor 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 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 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, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$52,998, \$46,229, and \$18,435 respectively; 84.5 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003. \$8,283 representing the unpaid contribution for fiscal year 2005 is recorded as a liability under "Due to Other Governments."

2. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio 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 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

XI. PENSION PLANS (Continued)

2. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 Academy's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$123,294, \$115,112, and \$83,914 respectively; 36.5 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003. \$79,771 representing the unpaid contribution for fiscal year 2005 is recorded as a liability under "Due to Other Governments."

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

XII. POST-EMPLOYMENT BENEFITS

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

STRS retirees who participate in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund, from which payments for health care benefits are paid. For the Academy, this amount equaled \$9,484 during fiscal 2005, of which \$6,122 was payable at June 30, 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information possible), the balance in the fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level of the health care fund. The target level of the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 2005, employer contributions used to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For fiscal 2005, the amount to fund health care benefits equaled \$37,916, including the surcharge, of which \$4,425 was payable at June 30, 2005.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

XIII. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The Academy is unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

XIV. Contingencies

1. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2005.

2. Pending Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State Constitution and State law. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004 the Court of Appeals rendered a decision that Community schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

XV. RELATED PARTY TRANSACTIONS

During 2005, the Academy received accounting, tax, and business advisory services from The Wortzman Company, which is owned by a previous the Academy Board member. Total compensated expenses provided during fiscal 2005 were \$7,836; donated services were \$6,209. Donated services are recorded at fair value as contribution revenue and as a corresponding expense as the services are utilized by the Academy.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

XVI. SCHOOL 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. The Academy will report a Due to Other Governments in the amount of \$1,657 on its Statement of Net Assets based on the Ohio Department of Education's review.

XVII. DONATED SERVICES

During 2005, the Academy received donated services from the Cleveland Hearing and Speech Center. These donated services were in the amount of \$39,600. These services were recorded at fair value as contributed revenues and as a corresponding expense when the services were received.

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**CITIZENS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
National School Breakfast Program	LL-P4-2005	10.553	\$42,219	\$42,219
National School Lunch Program	LL-P4-2005	10.555	98,084	98,084
Total National School Lunch Program			<u>140,303</u>	<u>140,303</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>140,303</u>	<u>140,303</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Title I - Part A	C1-S1-2005	84.010	246,870	246,789
Total Title I - Part A			<u>246,870</u>	<u>246,789</u>
IDEA Part B	6BSF-2005	84.027	81,991	81,555
Total IDEA Part B			<u>81,991</u>	<u>81,555</u>
Total Special Education Cluster			<u>328,861</u>	<u>328,344</u>
Title II-D	TJS1-2005	84.318	657	0
Total Title II-D Technology			<u>657</u>	<u>0</u>
Title IV-A	DR-S1-2005	84.186	2,654	2,654
Total Title IV-A Safe & Drug Free Schools			<u>2,654</u>	<u>2,654</u>
Title V	C2-S1-2005	84.298	1,095	1,215
Total Title V- Innovative Programs			<u>1,095</u>	<u>1,215</u>
Title II-A	TR-S1-2005	84.367	32,095	31,481
Total Title II-A Improving Teacher Quality			<u>32,095</u>	<u>31,481</u>
Total U.S. Department of Education			<u>365,362</u>	<u>363,694</u>
Total Federal Financial Assistance			<u><u>\$505,665</u></u>	<u><u>\$503,997</u></u>

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2005**

SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes the activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CFDA - Catalog of Federal Domestic Assistance.



Auditor of State Betty Montgomery

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

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

To the Board of Directors:

We have audited the financial statements of the Citizens' Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2005, which comprise the Academy's basic financial statements and have issued our report thereon dated April 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated April 10, 2006, we reported an other matter involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Academy's management dated April 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

April 10, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Directors:

Compliance

We have audited the compliance of the Citizens' Academy, Cuyahoga County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Citizens' Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005. In a separate letter to the Academy's management dated April 10, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

April 10, 2006

**CITIZENS' ACADEMY
 CUYAHOGA COUNTY
 FISCAL YEAR END JUNE 30, 2005**

**SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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CITIZENS' ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 18, 2006**