



Dave Yost • Auditor of State

MENLO PARK ACADEMY
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Independent Accountants' Report on Applying Agreed-Upon Procedure	27

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Menlo Park Academy
Cuyahoga County
14440 Triskett Road
Cleveland, Ohio 44111

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Menlo Park Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 Menlo Park Academy, Cuyahoga County, Ohio, as of June 30, 2013, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, 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. 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 Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2013

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

Management's discussion and analysis of Menlo Park Academy's ("MPA") financial performance provides an overall review of MPA's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at MPA's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of MPA's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position was \$812,567 at June 30, 2013.
- MPA had operating revenues of \$2,347,747, operating expenses of \$2,257,410, non-operating revenues of \$124,563 and capital contributions of \$17,490 during fiscal year 2013. The total change in net position for the year was an increase of \$232,390.

Using these Basic Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial Statements. These statements are organized so the reader can understand MPA's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* provide information about the activities of MPA, including all short-term and long-term financial resources and obligations.

Reporting MPA's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions to determine how well MPA has performed financially for the year ended June 30, 2013. These statements include *all assets plus deferred outflows, liabilities plus deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report MPA's *net position* and changes in *net position*. This change in net position tells the reader whether, for MPA as a whole, the *financial position* of MPA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how MPA finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table on the next page provides a summary of MPA's net position for fiscal years 2013 and 2012.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

Net Position

	2013	2012
<u>Assets</u>		
Current assets	\$ 897,725	\$ 757,753
Capital assets, net	142,296	39,667
Total assets	1,040,021	797,420
<u>Liabilities</u>		
Current liabilities	227,454	217,243
Total liabilities	227,454	217,243
<u>Net Position</u>		
Net investment in capital assets	142,296	39,667
Restricted	2,729	3,701
Unrestricted	667,542	536,809
Total net position	\$ 812,567	\$ 580,177

Over time, net position can serve as a useful indicator of MPA's financial position. At June 30, 2013, MPA's net position totaled \$812,567.

Current assets represent cash, prepayments, and accounts receivable. The increase in current assets is primarily a result of the increase in cash and cash equivalents of \$141,065 due to an increase in Foundation revenue and an increase in enrollment. Current liabilities represent accrued wages and benefits, unearned revenues, accounts payable, pension obligations and amounts due to other governments. Current liabilities increased due to an increase in accounts payable because of the timing of payments for goods and services and an increase in accrued wages for salaries and benefits earned during fiscal year 2013 but not paid until fiscal year 2014.

The revenue generated by community schools is heavily dependent upon per-pupil allotment given by the State foundation program. Foundation payments were 80.57% of total operating and non-operating revenues during fiscal year 2013.

The statement of revenues, expenses, and changes in net position show the cost of operating expenses and the revenues offsetting those services.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

The table below shows the changes in net position for fiscal year 2013 and 2012.

Change in Net Position

	2013	2012
<u>Operating Revenues:</u>		
State foundation	\$ 1,991,931	\$ 1,681,383
Classroom materials and fees	168,136	146,646
Charges for services	10,215	6,093
Other	177,465	128,646
Total operating revenue	2,347,747	1,962,768
<u>Operating Expenses:</u>		
Salaries and wages	1,172,929	913,509
Fringe benefits	299,994	269,596
Purchased services	553,798	509,005
Materials and supplies	158,080	132,592
Depreciation	27,676	10,014
Other	44,933	28,914
Total operating expenses	2,257,410	1,863,630
<u>Non-operating Revenues:</u>		
State and Federal grants	73,735	28,545
Interest revenue	433	-
Contributions and donations	50,395	70,026
Total non-operating revenues	124,563	98,571
Capital contributions	17,490	-
Change in net position	232,390	197,709
Net position at beginning of year	580,177	382,468
Net position at end of year	\$ 812,567	\$ 580,177

The increase in State foundation revenue was due to an increased enrollment from 286 students at the end of fiscal year 2012 to 326 students in fiscal year 2013. The increase in operating expenses, including salaries and wages expenses and fringe benefit expenses was a result of an increase in teaching personnel related to the increase in enrollment.

Capital Assets

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

At June 30, 2013, MPA had \$142,296 invested in furniture, fixtures and equipment, and leasehold improvements, net of accumulated depreciation. For more information on capital assets, see Note 6 to the basic financial statements.

Current Financial Related Activities

The utilization of the Educational Service Center of Lake Erie West as MPA's fiscal agent greatly improves the internal control structure and quality of its financial records. MPA's student enrollment grew from 286 at the beginning of the year to 326 students in fiscal year 2013.

In order to continually provide learning opportunities to its students, MPA will apply resources to best meet the needs of its students. It is the intent of MPA to apply for State and Federal funds that are made available to finance its operations.

Contacting MPA's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of MPA's finances and to show MPA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Caroline Zito, Business Manager, by mail at Menlo Park Academy, 14440 Triskett Rd. Cleveland, Ohio 44111-2263 or by calling 440.925.6365 or by faxing 440.925.0698.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:

Current assets:	
Cash and cash equivalents.	\$ 886,034
Receivables:	
Accounts	625
Prepayments	11,066
	897,725
Total current assets	
Non-current assets:	
Depreciable capital assets, net	142,296
	142,296
Total non-current assets.	
	1,040,021

Liabilities:

Current liabilities:	
Accounts payable.	28,561
Accrued wages and benefits	111,657
Pension obligation payable.	37,403
Intergovernmental payable	10,824
Unearned revenue.	39,009
	227,454
Total liabilities	

Net position:

Net investment in capital assets.	142,296
Restricted for other purposes.	2,729
Unrestricted.	667,542
	\$ 812,567

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
State Foundation.	\$ 1,991,931
Classroom materials and fees.	168,136
Charges for services.	10,215
Other operating revenue.	177,465
Total operating revenues	<u>2,347,747</u>
Operating expenses:	
Salaries and wages.	1,172,929
Fringe benefits.	299,994
Purchased services.	553,798
Materials and supplies	158,080
Depreciation	27,676
Other.	44,933
Total operating expenses.	<u>2,257,410</u>
Net operating income.	<u>90,337</u>
Non-operating revenues:	
Federal and State grants.. . . .	73,735
Interest revenue	433
Contributions and donations.	50,395
Total non-operating revenues.	<u>124,563</u>
Income before capital contributions.	214,900
Capital contributions.	<u>17,490</u>
Change in net position	232,390
Net position at beginning of year.	<u>580,177</u>
Net position at end of year	<u><u>\$ 812,567</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from State foundation	\$ 1,969,167
Cash received from classroom materials and fees.	170,537
Cash received from charges for services.	10,215
Cash received from other operations	177,465
Cash payments for salaries and wages.	(1,149,987)
Cash payments for fringe benefits	(301,570)
Cash payments for contractual services	(548,599)
Cash payments for materials and supplies	(159,317)
Cash payments for other expenses	(44,213)
	<hr/>
Net cash provided by operating activities.	123,698
Cash flows from noncapital financing activities:	
Federal and state grants.	73,735
Contributions and donations.	50,395
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Net cash provided by noncapital financing activities.	124,130
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(107,196)
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Net cash used in capital and related financing activities.	(107,196)
Cash flows from investing activities:	
Interest received	433
	<hr/>
Net cash provided by investing activities	433
Net increase in cash and cash equivalents.	141,065
Cash and cash equivalents at beginning of year	744,969
Cash and cash equivalents at end of year	\$ 886,034
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Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 90,337
Adjustments:	
Depreciation	27,676
Changes in assets and liabilities:	
Decrease in accounts receivable.	1,411
Increase in prepayments	(318)
Increase in accounts payable.	10,044
Increase in accrued wages and benefits.	26,797
Decrease in intergovernmental payable	(32,026)
Decrease in pension obligation payable	(117)
Decrease in unearned revenue.	(106)
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Net cash provided by operating activities	\$ 123,698
	<hr/> <hr/>
Non-cash transactions:	
In 2013, MPA purchased \$5,619 in capital assets on account and received \$17,490 in capital contributions.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ENTITY

Menlo Park Academy (“MPA”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. MPA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect MPA’s tax-exempt status. MPA’s objective is to provide educational services to gifted students in grades kindergarten through 8th grade. MPA, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. MPA may acquire facilities as needed and contract for any services necessary for the operation of MPA.

MPA entered into a sponsorship agreement with Educational Service Center of Lake Erie West (the “Sponsor”) on September 16, 2008 amended as of July 1, 2011 for a period through June 30, 2021. The Sponsor is responsible for evaluating the performance of MPA and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. MPA also has an agreement with the Sponsor to act as fiscal agent (See Note 11). The contract is effective for 10 years, for the period July 1, 2011 to June 30, 2021. Acceleration of expiration date or renegotiation of the contract to be effective at the end of the 5th, 7th, or the 9th year of the contract. The contract to provide fiscal services was terminated effective July 1, 2013. Also, effective July 1, 2013, the School entered into a contract with Massa Financial Solutions, LLC to act as fiscal agent. The agreement is effective through June 30, 2016.

MPA operates under the direction of an eleven-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls MPA’s one instructional/support facility staffed by 9 noncertified and 27 certified personnel who provide services to 326 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

MPA’s basic 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.

B. 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 position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how MPA finances and meets the cash flow needs of its enterprise activities.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. MPA'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 on the accrual basis when the exchange takes place. Revenues resulting from nonexchange transactions, in which MPA receives value without directly giving equal value in return, such as grants and entitlements, are 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 MPA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to MPA on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between MPA and its sponsor. The contract between MPA and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis. Each year, on or before June 30, a revised budget shall be submitted to the Sponsor.

E. Cash and Cash Equivalents

All monies received by MPA are accounted for by MPA's fiscal agent, the Educational Service Center of Lake Erie West. All cash received by the fiscal agent is maintained in separate bank accounts in MPA's name. Monies for MPA are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net position, investments with original maturities of three months or less at the time they are purchased by MPA are considered to be cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. MPA maintains a capitalization threshold of five hundred dollars. MPA does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Life</u>
Furniture, Fixtures and Equipment	7 years
Leasehold Improvements	2 - 4 years

H. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. MPA had no outstanding debt. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by MPA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

MPA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Operating Revenues and Expenses

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

J. Intergovernmental Revenue

MPA currently participates in the State Foundation Program and the IDEA Part-B Grant. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had 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 permitted, matching requirements, in which MPA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to MPA on a reimbursement basis.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, MPA has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of MPA.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of MPA.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of MPA.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of MPA's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of MPA.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of MPA.

NOTE 4 - DEPOSITS

State statutes require the classification of the monies held by MPA into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in MPA Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including, but not limited to passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, or Ohio local governments;

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 4 - DEPOSITS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the MPA's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution

Investments of stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of MPA and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

A. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all MPA's deposits was \$886,034. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$750,433 of MPA's bank balance of \$909,152 was exposed to custodial risk as discussed below, while \$158,719 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, MPAs 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 MPA. MPA has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject MPA to a successful claim by the FDIC.

B. Investments

MPA had no investments.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 5 - RECEIVABLES

Receivables at June 30, 2013, consisted of accounts receivable for classroom materials and fees. All receivables are considered collectible in full. MPA had \$625 in accounts receivable at June 30, 2013.

NOTE 6 - CAPITAL ASSETS

A summary of MPA's capital assets for the fiscal year ended June 30, 2013, follows:

	Balance 07/01/12	Additions	Deductions	Balance 06/30/13
Capital Assets:				
Furniture, fixtures and equipment	\$ 47,055	\$ 66,291	\$ -	\$ 113,346
Leasehold improvements	18,700	64,014	-	82,714
Total capital assets	<u>65,755</u>	<u>130,305</u>	<u>-</u>	<u>196,060</u>
Less: accumulated depreciation				
Furniture, fixtures and equipment	(14,500)	(15,776)	-	(30,276)
Leasehold improvements	(11,588)	(11,900)	-	(23,488)
Total accumulated depreciation	<u>(26,088)</u>	<u>(27,676)</u>	<u>-</u>	<u>(53,764)</u>
Total capital assets, Net of accumulated depreciation	<u>\$ 39,667</u>	<u>\$ 102,629</u>	<u>\$ -</u>	<u>\$ 142,296</u>

NOTE 7 - RISK MANAGEMENT

A. Insurance Coverage

MPA 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 the fiscal year ended 2013, MPA contracted with Wells Fargo Insurance Services and had the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	3,000,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
Employer's (OH Stop Gap) Liability	1,000,000
Automotive Liability - Non-owned Automobiles	1,000,000
Personal Property (\$2,500 deductible)	150,000
Computer Equipment (\$1,000 deductible)	115,000
Playground Equipment (\$1,000 deductible)	23,300
Modular Classroom	20,000
Excess Liability Umbrella	5,000,000
Crime (\$2,500 deductible)	250,000
Professional Educators Legal Liability (\$1,000 deductible)	1,000,000
Sexual Abuse Liability each claim	1,000,000
Sexual Abuse Liability Aggregate	3,000,000
Directors and Officers Liability	1,000,000

MPA owns no property, but leases one facility located at 14440 Triskett Road, Cleveland, Ohio (See Note 10).

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 7 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded commercial coverage in the past three years and there have been no significant reductions in insurance coverage from fiscal year 2012.

B. Workers' Compensation

MPA pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Other Employee Benefits

MPA has contracted with a private carrier to provide employee medical and dental insurance to its full time employees.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - MPA contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and MPA is required to contribute at an actuarially determined rate. The current MPA rate is 14 percent of annual covered payroll. A portion of MPA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. MPA's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$34,003, \$23,097 and \$11,706, respectively; 89.92 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - MPA participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 8 - PENSION PLANS - (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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. MPA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

MPA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$115,755, \$92,691 and \$78,332, respectively; 87.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$14,701 made by MPA and \$10,501 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Governing Board have elected Social Security. MPA's liability is 6.2 percent of wages paid.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - MPA participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

MPA's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$3,175, \$2,491 and \$2,214, respectively; 89.92 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. MPA's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,921, \$1,364 and \$753, respectively; 89.92 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. MPA's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$8,904, \$7,130 and \$6,026, respectively; 87.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 10 - OPERATING LEASES

MPA entered into an operating lease for the period June 1, 2009 through June 30, 2012 with Most Rev. Richard G. Lennon, Bishop of the Roman Catholic Diocese of Cleveland and Trustee for St. Mel Church to lease space to house MPA. This lease was amended in June 2010 to add additional space and extended the period of the lease through June 30, 2014. Payments made totaled \$105,132 for the fiscal year ended June 30, 2013. Rental increases at a rate of 3% over the rent paid the preceding year.

NOTE 11 - FISCAL AGENT

MPA entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Educational Service Center of Lake Erie West to serve as the Chief Fiscal Officer of MPA. As part of this agreement, MPA shall compensate the Educational Service Center of Lake Erie West two percent (2%) of the per pupil allotment paid to MPA from the State of Ohio. A total contract payment of \$49,099 was paid during the fiscal year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of MPA:

- Maintain custody of all funds received by MPA in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of MPA;
- Maintain all financial records of MPA and follow procedures for receiving and expending State funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of MPA or that Officer's designee;
- Assist MPA in meeting all financial reporting requirements established by the Auditor of Ohio;

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 11 - FISCAL AGENT - (Continued)

- Invest funds of MPA in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and,
- Pay obligations incurred by MPA within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of MPA so long as the proposed expenditure is within the approved budget and funds are available.

NOTE 12 - PURCHASED SERVICES

For fiscal year 2013, purchased services payments for services rendered by various vendors are as follows:

<u>PURCHASED SERVICES</u>	
Professional and technical services	\$ 304,285
Property services	136,027
Travel mileage/meeting expense	9,105
Communications	21,747
Utilities	25,065
Contracted craft or trade services	9,825
Other	<u>47,744</u>
Total purchased services	<u><u>\$ 553,798</u></u>

NOTE 13 - CONTINGENCIES

A. Grants

MPA received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of MPA at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

MPA is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**MENLO PARK ACADEMY
CUYAHOGA COUNTY, OHIO**

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

NOTE 13 - CONTINGENCIES - (Continued)

C. State Foundation 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. MPA does not anticipate any significant adjustments to State funding for fiscal year 2014 as a result of reviews which have yet to be completed.

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Dave Yost • Auditor of State

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

Menlo Park Academy
Cuyahoga County
14440 Triskett Road
Cleveland, Ohio 44111

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 Menlo Park Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy'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 Academy'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 Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Menlo Park Academy
Cuyahoga County
14440 Triskett Road
Cleveland, Ohio 44111

To the Board of Directors:

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

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

We noted the Board amended its anti-harassment policy at its meeting on November 8, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

December 4, 2013

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Dave Yost • Auditor of State

MENLO PARK 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
DECEMBER 24, 2013**