



Mary Taylor, CPA
Auditor of State

CITIZENS' ACADEMY
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets as of June 30, 2007.....	7
Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2007	8
Statement of Cash Flows for the Year Ended June 30, 2007.....	9
Notes to the Financial Statements	11
Federal Awards Receipts and Expenditures Schedule.....	23
Notes to Federal Awards Receipts and Expenditures Schedule	24
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Required by <i>Government Auditing Standards</i>	25
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	27
Schedule of Findings	29

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Citizens' Academy, Cuyahoga County, Ohio, (the Academy), as of and for the year ended June 30, 2007, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Citizens' Academy, Cuyahoga County, Ohio, as of June 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2008, 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 receipts and expenditures schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures 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.

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

Mary Taylor, CPA
Auditor of State

July 21, 2008

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**
Management's Discussion and Analysis
For the Year Ended June 30, 2007
Unaudited

The discussion and analysis of Citizens' Academy (the Academy) provides an overall review of the Academy's financial activities for year ended June 30, 2007. 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 2007 are as follows:

Total Assets increased by \$198,886 primarily due to increases of \$136,598 in cash and cash equivalents and an increase in claims to Federal Title funds of \$16,231.

Total Current Liabilities also increased by \$60,233 mainly due to higher accrued payroll and accounts payable.

In total, Net Assets increased \$138,653.

Total Operating Revenues totaled \$2,986,541 for the year, an increase of \$286,035 from the prior year.

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 2007?" 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.

School-wide financial analysis

Table 1 provides a summary of the Academy's net assets as of June 30, 2007 and 2006.

Table 1
NET ASSETS

<u>Assets:</u>	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	991,582	854,984
Receivables:		
Federal Title Funds	144,518	128,287
Gifts and Grants	5,520	333
Intergovernmental	34,953	25,381
Other (Net of Allowance)	4,809	-
Prepaid Expenses	50,404	35,923
Total Current Assets	1,231,786	1,044,908
<u>Non-Current Assets:</u>		
Deposits on Leased and Other Property	15,000	15,000
Assets Permanently Restricted	5,000	5,000
Other Assets	2,565	3,158
Capital Assets (Net of Accumulated Depreciation)	1,344,998	1,332,397
Total Non-Current Assets	1,367,563	1,355,555
Total Assets	2,599,349	2,400,463
<u>Liabilities and Equity:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	100,191	29,759
Due to Other Governments	62,875	131,928
Accrued Payroll	236,797	170,191
Accrued Rent	99,081	106,194
Other	2,426	3,065
Total Current Liabilities	501,370	441,137
<u>Net Assets</u>		
Investment in Capital Assets, net of related debt	1,344,998	1,332,397
Unrestricted	752,981	626,929
Total Net Assets	2,097,979	1,959,326

Total assets increased by \$198,886 mainly due to increases in cash and cash equivalents of \$136,598 and an increase in claims to Federal Title funds of \$16,231.

The \$136,598 increase in cash and cash equivalents resulted primarily from a net increase of \$240,884 in ODE foundation revenues.

Total liabilities of \$501,370 increased by \$60,233 essentially due to higher accounts payable and accrued payroll.

Total net assets totaled \$2,097,979 and increased from the prior year by \$138,653 due to the increases in assets and liabilities discussed above.

Table 2 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Table 2
Revenues, Expenses and Changes in Net Assets

	FOR THE YEAR ENDED	
	June 30, 2007	June 30, 2006
<u>Operating Revenues:</u>		
Foundation Payments	2,895,408	2,654,524
Other Operating Revenues	91,133	45,982
<i>Total Operating Revenues</i>	<u>2,986,541</u>	<u>2,700,506</u>
<u>Operating Expenses:</u>		
Salaries	1,993,370	1,833,786
Fringe Benefits	624,863	609,887
Purchased Services	732,592	746,982
Materials and Supplies	299,189	221,359
Depreciation	137,029	190,527
Other Operating Expenses	90,429	31,938
<i>Total Operating Expenses</i>	<u>3,877,471</u>	<u>3,634,479</u>
Operating Loss	<u>(890,930)</u>	<u>(933,973)</u>
<u>Non-Operating Revenues:</u>		
Federal and State Grants	732,489	702,208
Private Grants and Contributions	267,881	266,597
Investment Earnings	29,213	24,981
<i>Total Non-Operating Revenues</i>	<u>1,029,583</u>	<u>993,786</u>
<u>Net Assets</u>		
Net Increase/(Decrease) in Net Assets	138,653	59,813
Total Net Assets at Beginning of the Year	<u>1,959,326</u>	<u>1,899,513</u>
Total Net Assets at End of Year	<u>\$ 2,097,979</u>	<u>\$ 1,959,326</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 \$240,884 to \$2,895,408.

Operating expenses for 2007 totaled \$3,877,471 which represents an increase of \$242,992 over the prior year.

Federal and state grants increased by \$30,281 to \$732,489 primarily due to increased participation in our Food Service and Before and After School Enrichment Programs as well as the increase in student enrollment.

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, 2007 and 2006.

Table 3
Capital Assets (Net of Accumulated Depreciation)

	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>
Leasehold Improvements	1,188,272	1,167,626
Construction in progress	19,439	12,740
Playground	11,630	14,421
Classroom materials, furniture, equipment & computers	44,155	55,378
Office furniture, equipment & computers & servers	81,502	82,232
Total	<u><u>1,344,998</u></u>	<u><u>1,332,397</u></u>

The Academy's investment in capital assets for its activities as of June 30, 2007 amounts to \$1,344,998.

The Academy has no long-term loan obligations outstanding.

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, and phone number 216-791-4195.

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Net Assets
As of June 30, 2007

Assets:

Current Assets:

Cash and Cash Equivalents	991,582
Receivables:	
Federal Title Funds	144,518
Gifts and Grants	5,520
Intergovernmental	34,953
Other (Net of Allowance)	4,809
Prepaid Expenses	50,404
<i>Total Current Assets</i>	<u>1,231,786</u>

Non-Current Assets:

Deposits on Leased and Other Property	15,000
Assets Permanently Restricted	5,000
Other Assets	2,565
Capital Assets (Net of Accumulated Depreciation)	1,344,998
<i>Total Non-Current Assets</i>	<u>1,367,563</u>

<i>Total Assets</i>	<u><u>2,599,349</u></u>
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Liabilities and Equity:

Current Liabilities:

Accounts Payable	100,191
Due to Other Governments	62,875
Accrued Payroll	236,797
Accrued Rent	99,081
Other	2,426
<i>Total Current Liabilities</i>	<u>501,370</u>

Net Assets

Investment in Capital Assets, net of related debt	1,344,998
Unrestricted	752,981
<i>Total Net Assets</i>	<u><u>\$ 2,097,979</u></u>

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

Statement of Revenues, Expenses and Changes in Net Assets
As of June 30, 2007

Operating Revenues:

Foundation Payments	2,895,408
Other Operating Revenues	<u>91,133</u>
<i>Total Operating Revenues</i>	<u>2,986,541</u>

Operating Expenses:

Salaries	1,993,370
Fringe Benefits	624,862
Purchased Services	732,592
Materials and Supplies	299,189
Depreciation	137,029
Other Operating Expenses	<u>90,429</u>
<i>Total Operating Expenses</i>	<u>3,877,471</u>
Operating Loss	(890,930)

Non-Operating Revenues:

Federal and State Grants	732,489
Private Grants and Contributions	267,881
Investment Earnings	<u>29,213</u>
<i>Total Non-Operating Revenues</i>	<u>1,029,583</u>

Net Assets

Net Increase in Net Assets	138,653
Total Net Assets at Beginning of the Year	<u>1,959,326</u>
Total Net Assets at End of Year	<u>\$ 2,097,979</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, 2007

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 2,823,120
Cash Payments to Suppliers for Goods and Services	(1,053,540)
Cash Payments to Employees for Services	(2,555,146)
Other Operating Revenues	<u>76,933</u>
Net Cash Used for Operating Activities	(708,633)

Cash Flows from Noncapital Financing Activities:

Non-Operating Grants and Contributions Received	<u>966,248</u>
Net Cash Provided by Noncapital Financing Activities	966,248

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(149,629)</u>
Net Cash Used for Capital and Related Financing Activities	(149,629)

Cash Flows from Investing Activities:

Interest/Dividends Earned on Investments	<u>28,612</u>
Net Cash Provided by Investing Activities	<u>28,612</u>
Net Increase in Cash and Cash Equivalents	136,598
Cash and Cash Equivalents at Beginning of Year	<u>854,984</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 991,582</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, 2007
(Continued)

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

Operating Loss	\$ (890,930)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:**

Depreciation	137,029
Donated Services	3,131
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(15,416)
(Increase) in Prepaid Expenses and Other	(2,081)
Increase in Accounts Payable	70,432
Increase in Accrued Expenses	62,128
(Decrease) in Other Current Liabilities	<u>(72,926)</u>
Total Adjustments	<u>182,297</u>
Net Cash Used for Operating Activities	<u><u>\$ (708,633)</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, 2007

I. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

As of June 30, 2007, the Academy operated under an eighteen-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board of Directors controls the Academy's instructional facility staffed by twenty-nine certificated full-time teaching personnel who provide services to 391 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.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Measurement Focus and Basis of Accounting

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

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

3. Cash and Cash Equivalents

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

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.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

5. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

6. Compensated Absences

Vacation for teaching staff is to be taken in a manner that corresponds with the school calendar; therefore, the Academy does not accrue vacation time as a liability. Vacation benefits for non-teaching staff are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned. Accrued vacation pay totaling \$29,542 is reported on the Statement of Net Assets under Accrued Payroll.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

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. 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.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

III. BUDGETING (Continued)

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.

IV. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits totaled \$991,582 and its bank balance was \$1,012,239. Based on the criteria described in GASB statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$807,509 of the bank balance was exposed to custodial risk as discussed below, while \$204,730 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 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.

V. RECEIVABLES

Receivables at June 30, 2007, 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 \$2,975 allowance for doubtful accounts.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/07</u>
Leasehold Improvements	\$1,543,304	\$105,027	\$0	\$1,648,331
Computers, Furniture, and Equipment	232,019	36,213	0	268,232
Classroom Materials and Furniture	110,177	1,634	0	111,811
Marketing Materials	1,658	0	0	1,658
Playground Equipment	27,911	0	0	27,911
Construction in Progress	12,740	6,699	0	19,439
Totals at Historical Cost	<u>1,927,809</u>	<u>149,573</u>	<u>0</u>	<u>2,077,382</u>
Leasehold Improvements	(375,678)	(84,380)	0	(460,058)
Computers, Furniture, and Equipment	(149,787)	(36,946)	0	(186,733)
Classroom Materials and Furniture	(54,799)	(12,855)	0	(67,654)
Marketing Materials	(1,658)	(0)	0	(1,658)
Playground Equipment	<u>(13,490)</u>	<u>(2,791)</u>	<u>0</u>	<u>(16,281)</u>
Total Depreciation	<u>(595,412)</u>	<u>(136,972)</u>	<u>0</u>	<u>(732,384)</u>
Net Capital Assets	<u>\$1,332,397</u>	<u>\$12,601</u>	<u>\$0</u>	<u>\$1,344,998</u>

VII. PURCHASED SERVICES

Purchased services include the following:

Occupancy Costs	\$ 377,997
Pupil Support Services	72,021
Administrative	259,062
Other	23,512
Total	<u>\$ 732,592</u>

VIII. 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.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

IX. 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 2007, the Academy contracted with Indiana and Travelers Insurance Companies for all of its insurance.

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

2. Workers' Compensation

The Academy makes premium payments to the Ohio Workers' Compensation System (WC) for employee injury coverage. As of June 30, 2007, there have been two claims filed by employees with WC for the year ending June 30, 2006. In the opinion of management, these claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

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 2007 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 \$203,377.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

X. DEFINED BENEFIT PENSION PLANS

1. School Employees Retirement System

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

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 2007, 10.68 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, 2007, 2006, and 2005 were \$92,608, \$89,951, and \$81,625 respectively; 78.6 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

2. State Teachers Retirement System

The School District participates in 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 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

X. DEFINED BENEFIT 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 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

X. DEFINED BENEFIT PENSION PLANS (Continued)

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$149,440, \$128,185, and \$123,294 respectively; 89.4 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$16,041 made by the Academy and \$20,184 made by the plan members.

XI. POST-EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$1,150 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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 health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

XI. POST-EMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$28,788.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

XII. SCHOOL FUNDING

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. As of the date of this report, adjustments to the state funding received for fiscal year 2007 included a reduction of \$3,682.

XIII. 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, 2007.

CITIZENS' ACADEMY
— A Community School —
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

XIII. CONTINGENCIES (Continued)

2. Pending Litigation

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Food Distribution	N/A	10.550		\$ 207		\$ 207
Total Food Distribution						
Children Nutrition Cluster:						
School Breakfast Program	05-PU-07	10.553	\$38,965		\$38,965	
Subtotal School Breakfast Program			38,965		38,965	
National School Lunch Program	LL-P4-07	10.555	120,553		120,553	
Subtotal National School Lunch Program			120,553		120,553	
Total Nutrition Cluster			159,518		159,518	
Total U.S. Department of Agriculture			159,518	207	159,518	207
<u>U.S. Department of Education</u>						
<i>Passed Through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education Preschool Grants	PG-S1-07	84.173	5,333		5,502	
Subtotal Preschool Grants			5,333		5,502	
Special Education Grants To States	6B-SF-07	84.027	103,302		106,907	
Subtotal Grants to States			103,302		106,907	
Total Special Education Cluster			108,635		112,409	
Title I Grants to Local Educational Agencies	C1-S1-07	84.010	359,961		389,481	
Total Title I Grants to Local Educational Agencies			359,961		389,481	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-07	84.186	3,848		3,199	
Total Safe and Drug Free Schools Grant			3,848		3,199	
State Grants for Innovative Programs	C2-S1-07	84.298	280		0	
Total State Grants for Innovative Programs			280		0	
Education Technology State Grants	TJ-S1-07	84.318	985		985	
Total Education Technology State Grants			985		985	
Improving Teacher Quality State Grants	TR-S1-07	84.367	13,877		3,408	
Total Improving Teacher Quality State Grants			13,877		3,408	
Total U.S. Department of Education			487,586		509,482	
Total Federal Assistance			\$647,104	\$207	\$669,000	\$207

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

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

CFDA – Catalog of Federal Domestic Assistance



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of Citizens' Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated July 21, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Academy's management in a separate letter dated July 21, 2008.

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*.

We did note a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated July 21, 2008.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 21, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS 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 Citizens' Academy, Cuyahoga County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Citizens' Academy complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Mary Taylor, CPA
Auditor of State

July 21, 2008

**CITIZENS' ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
FISCAL YEAR END JUNE 30, 2007**

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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	Title 1 CFDA #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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
AUGUST 7, 2008**