CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL
CUYAHOGA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
540 East 105th Street
Cleveland, Ohio 44108

To the Board of Directors:

We have audited the accompanying basic financial statements of the Cleveland Entrepreneurship Preparatory School, Cuyahoga County, Ohio (the School), 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 School'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 that 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 Cleveland Entrepreneurship Preparatory School, Cuyahoga County, Ohio, as of June 30, 2007, and the changes in its 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 September 12, 2008, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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, which consisted 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 12, 2008

Our discussion and analysis of the Cleveland Entrepreneurship Preparatory School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A, however, since this is the first year the School has operated and prepared financial statements, comparisons to fiscal year 2006 are not available. In future years, when prior year information is available, a comparative analysis will be presented.

Financial Highlights

- Total assets were $326,573.
- Total liabilities were $105,567.
- The School had net assets of $221,006.
- Net income for the year ended June 30, 2007 was $221,006.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

Net Assets

	2007
Current Assets	$ 106,648
Capital Assets, Net	219,925
Total Assets	**326,573**
Current Liabilities	105,567
Total Liabilities	**105,567**
Net Assets:	
Invested in Capital Assets, Net of Debt	219,925
Unrestricted	1,081
Total Net Assets	**$ 221,006**

Current assets consisted of Cash and Investments and Federal Intergovernmental Receivables while current liabilities consisted of Accounts Payable due to various vendors.

At June 30, 2007, Capital Assets represented 67.3% of total assets. Capital assets consisted of building improvements and copiers. There is no debt related to these assets. Capital assets are used to provide services to the students and are not available for future spending.

The School had a positive unrestricted net asset balance of $221,006 at June 30, 2007.

Changes in Net Assets

	2007
Operating Revenues:	
Foundation Payments	719,333
Other Operating Revenues	232,628
Non-Operating Revenues:	
Investment Earnings	946
State Subsidies	40,062
Federal Subsidies	200,785
Private Grants and Donations	668,800
Total Revenues	**$ 1,862,554**
Operating Expenses:	
Salaries & Wages	$ 646,566
Fringe Benefits	149,629
Purchased Services	408,767
Materials & Supplies	417,052
Depreciation	8,459
Miscellaneous	11,075
Total Expenses	**$ 1,641,548**
Change in Net Assets	**$ 221,006**

For the year ended June 30, 2007, foundation payments accounted for 38.6% of total revenues while other operating revenues accounted for 12.4% of total revenues. Other operating revenues consisted primarily of donations.

Salaries & wages was the largest expense and represented 39.4% of total expenses.

Capital Assets

The School has $219,925 invested in capital assets net of depreciation. Significant additions to the School's capital assets for the 2007 fiscal year were the purchase of copiers and building improvements. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

Current Financial Issues

The future financial stability of the School is not without challenges.

The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Tricia Markovic, Director of Operations of the Cleveland Entrepreneurship Preparatory School, 540 E. 105th Street 4th Floor, Cleveland, OH 44108 or email to tricia.markovic@eprepschool.org

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Cleveland Entrepreneurship Preparatory School
Cuyahoga County
Statement of Net Assets
as of June 30, 2007

Assets	
Current Assets	
Cash and Investments	$61,261
Receivable - Federal	45,387
Total Current Assets	106,648
Non-Current Assets	
Capital assets (Net of Accumulated Depreciation)	219,925
Total Assets	326,573
Liabilities	
Current Liabilities	
Accounts Payable	105,567
Total Current Liabilities	105,567
Total Liabilities	105,567
Net Assets	
Invested in Capital Assets, Net of related Debt	219,925
Unrestricted	1,081
Total Net Assets	$221,006

The accompanying Notes are an integral part of the Financial Statements

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the Fiscal Year ended June 30, 2007

Operating Revenues	
Foundation Payments	$719,333
Other Operating Revenues	232,628
Total Operating Revenues	951,961
Operating Expenses	
Salaries & Wages	646,566
Fringe Benefits	149,629
Purchased Services	408,767
Materials & Supplies	417,052
Depreciation	8,459
Miscellaneous	11,075
Total Operating Expenses	1,641,548
Operating Income	(689,587)
Non-Operating Revenues and (Expenses)	
Interest Earnings	946
State subsidies	40,062
Federal subsidies	200,785
Private Grants and Donations	668,800
Total Non-Operating Revenues and (Expenses)	910,593
Net Income	221,006
Net Assets Beginning of Year	-
Net Assets End of Year	$221,006

The accompanying Notes are an integral part of the Financial Statements

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2007

Cash Flows from Operating Activities	
Cash received from Foundation Payments	$719,333
Cash received from Other Operating Revenues	232,628
Cash payments for personal services	(795,692)
Cash payments for contract services	(360,257)
Cash payments for supplies and materials	(360,498)
Cash payments for Miscellaneous	(11,075)
Net Cash Provided By/(Used for) Operating Activities	(575,561)
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	195,460
Private Grants and Donations	668,800
Net Cash from Noncapital Financing Activites	864,260
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(228,384)
Net Cash Used for Capital and Related Financing Activities	(228,384)
Cash Flows from Investing Activities	
Interest on cash and cash equivalents	946
Net cash from investing activites	946
Net increase in cash and cash equivalents :	61,261
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	$61,261
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities	
Operating Loss	($689,587)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities	
Depreciation	8,459
Changes in Assets and Liabilities:	
Accounts Payable	105,567
Total Adjustments	114,026
Net cash provided (used) by operating activities	($575,561)

The accompanying Notes are an integral part of the Financial Statements

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1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Cleveland Entrepreneurship Preparatory School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grade six. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the School. Management is not aware of any course of action or series of events that have occurred that may adversely affect the School's tax exempt status.

The School was approved for operation under contract with the Cleveland Municipal School District (the Sponsor) for a period of five years commencing June 30, 2005. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of an eleven 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 qualifications of teachers. The Board of Directors control the School's instructional/support facility staffed by 14 certificated personnel who provide services to 127 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School uses enterprise accounting to maintain its financial records during the school year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus and Basis of Accounting

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 and decreases in net total assets. The statement of cash flow reflects how the School finances and meets its cash flow needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement.

D. Cash and Investments

All monies received by the School are pooled and maintained in a separate account in the School's name. Monies for the School are maintained in this account or temporarily used to purchase short term investments.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. 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 these estimates.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of $5,000. The School does not possess any infrastructure. Improvements are capitalized, the cost 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 recorded capital assets are depreciated using the straight line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful live of the related capital assets.

Assets	Years
Furniture, Fixtures and Equipment	5
Buildings and Improvements	30

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

The School also participates in various federal and state grant programs through Ohio Department of Education. The programs the School participated in during fiscal year 2007 included the National School Lunch and Breakfast Program, Title I, Charter Schools Start Up Program, Title II D Enhancing Education through Technology Program, Improving Teacher Quality, and the Special Education Part B IDEA program. Grants and entitlements received under these programs 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 use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which resources are provided to the School on a reimbursement basis.

Amounts awarded under the above named programs for the 2007 school year totaled $960,180.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, 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 through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Operating Revenues and Expenses

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

J. Compensated Absences

Personal leave benefits (sick, vacation, or personal) are earned at a rate of one day per month and cannot be carried over into the subsequent year. No accrual for personal leave is made since unused leave time is not paid to employees upon termination of employment.

3. DEPOSITS

At June 30, 2007, the carrying amount of all School deposits was $61,261. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, $90,635 of the School's bank balance was covered by the Federal Deposit Insurance Corporation and was not exposed to custodial credit risk.

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

The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. INTERGOVERNMENTAL RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the School at June 30, 2007 consisted of the following federal grants in which all grant requirements had been satisfied: Title I $13,222, Title II-D $482, and Title VI-B $31,683.

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2007, follows:

	Balance 6/30/2006	Additions	Deductions	Balance 6/30/2007
Capital Assets Being Depreciated				
Buildings & Improvements	$ -	$ 218,689		$ 218,689
Furniture, Fixtures, and Equipment	-	9,695		9,695
Total Capital Assets Being Depreciated	-	228,384	-	228,384
Less Accumulated Depreciation:				
Buildings & Improvements	$ -	$ (6,682)		$ (6,682)
Furniture, Fixtures, and Equipment	-	(1,777)		(1,777)
Total Accumulated Depreciation	-	(8,459)	-	(8,459)
Capital Assets, Net of Accumulated Depreciation	$ -	$ 219,925	$ -	$ 219,925

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School contracted with Philadelphia Indemnity Insurance Company for property, business income, and building improvement insurance. There is a $1,000 deductible.

Professional liability is protected by Philadelphia Indemnity Insurance with a $1,000,000 single occurrence limit and $1,000,000 aggregate with a $5,000 deductible.

B. Employee Benefits

The School has contracted with a private carrier to provide employee medical and dental insurance to its employees. The School pays the full amount of the monthly premiums for medical insurance while the employee is responsible for dental insurance premiums.

7. DEFINED BENEFIT PENSION PLANS

State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the website www.strs.org.

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 members 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% 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 DB 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 or 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

7. DEFINED BENEFIT PENSION PLANS (CONTINUED)

of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are only entitled to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 13 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS Ohio for the year ending June 30, 2007 was $84,054. Through foundation payments, the School contributed $116,360 resulting in a prepayment of $32,306.

8. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs 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 Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled $6,466 during fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was $4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were $265,558,000 and STRS had 122,934 eligible benefit recipients.

9. CONTRACTS

A. Sponsor Contract

The School entered into a five-year contract commencing on June 30, 2005 and continuing through June 29, 2010, with the Cleveland Municipal School District (the "Sponsor") for its establishment. Under the contract, the following terms were agreed upon:

- The School shall operate in substantial compliance with its "Educational Plan", which contains the School's mission, educational philosophy, the ages and grades of students, the characteristics of the students the School expects to

9. CONTRACTS (CONTINUED)

attract, the focus of the curriculum, a description of the learning opportunities offered to the students, the academic goals and the method of measurement that will be used to determine progress toward these goals, graduation requirements, and the focus of the curriculum.

- The School shall operate in substantial compliance with the "Financial Plan", which establishes and estimated school budget each year and a total estimated per pupil expenditure amount for each such year.

- The School shall annually pay to the Sponsor, three percent (3.0%) of the total amount of payments for operating expenses the the School receives from the State of Ohio. The School made no payments to the Sponsor in fiscal year 2007.

B. Fiscal Services Contract

The sponsorship contract states that the School shall have a designated fiscal officer who shall meet all the requirements as set forth by law including:

- Maintain the financial records of the School in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State

- Comply with the policies and procedures regarding internal financial control of the School

- Comply with the requirements and procedures for financial audits by the Auditor of State

The School entered into a contract with Harris Computers Services for fiscal services including school treasurer services, payroll services, and capital asset services. Total payments made to Harris were $25,704 for the fiscal year ended June 30, 2007.

10. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2007.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment date and 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 funding is calculated. The conclusions of this review could result in state funding being adjusted. The School does not anticipate any material adjustment for fiscal year 2007, as a result of such review.

11. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2007, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$ 256,260
Property Services	96,550
Travel Mileage/Meeting Expense	13,226
Communications	29,957
Utilities	3,252
Contracted Craft or Trade Services	3,022
Pupil Transportation	6,500
Total Purchased Services	$408,767

12. OPERATING LEASE

During fiscal year 2006, the School entered into a lease agreement with the Shorebank Enterprise Group for approximately 19,293 square feet of property on the fourth floor of the building located at 540 East 105th Street, Cleveland, Ohio. The initial term of the lease commenced July 1, 2006 and concludes June 30, 2008. Total rent expense for fiscal year 2007 was $65,000. The terms of the lease require payments of $65,000 for fiscal year 2008.

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*

Cleveland Entrepreneurship Preparatory School
Cuyahoga County
540 East 105th Street
Cleveland, Ohio 44108

To the Board of Directors:

We have audited the basic financial statements of Cleveland Entrepreneurship Preparatory School, Cuyahoga County, Ohio (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 12, 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 School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School'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 School'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 School'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 certain matters that we reported to the School's management in a separate letter dated September 12, 2008.

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Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated September 12, 2008.

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

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Community School's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 12, 2008

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

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

FINDING NUMBER	**2007-001**

Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part, this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03(B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management Discussion and Analysis;
- Statement of Net Assets as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and

Notes to the financial statements as prescribed by GAAP

Per testing performed, it was noted the School filed their annual report on February 15, 2008.

We recommend the Academy organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Academy may be assessed a late filing penalty.

Management's Response:

The Academy was not aware of the deadline. The Academy has contracted with a person to perform this for fiscal year 2008. This will be corrected for fiscal year 2008.

Mary Taylor, CPA
Auditor of State

CLEVELAND ENTREPRENEURSHIP PREPARATORY SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 16, 2008

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