



Mary Taylor, CPA  
Auditor of State



**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Eagle Heights Academy  
Mahoning County  
1833 Market Street  
Youngstown, Ohio 44507

To the Board of Trustees:

We have audited the accompanying financial statements of Eagle Heights Academy, Mahoning County, Ohio, (the "School"), as of and for the year ended June 30, 2005 which collectively comprise the School's basic financial statements 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eagle Heights Academy, Mahoning County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof 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 19, 2007, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

July 19, 2007

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Unaudited)**

As management of Eagle Heights Academy (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2005. 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 performance.

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

**Financial Highlights**

- The Total Net Assets increased by \$312,611 an increase of 13% from 2004. The major cause for this increase was an increase in the amount of State Aid received in 2005. The increase of \$1,314,196 was due to an increase in enrollment and increase in the State funding formula.
- Current Assets increased by \$106,143, an increase of 10% from 2004. The major reason for the increase was increases in Grants and Intergovernmental Receivables as compared to the June 30, 2004 balances.

**Statement of Net Assets**

Table1 provides a summary of the School's net assets for fiscal year 2005 and fiscal year 2004.

(Table 1)

**Net Assets**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Assets</b>		
Current Assets	\$ 1,133,193	\$ 1,027,050
Capital Assets, net	<u>2,503,779</u>	<u>2,576,279</u>
Total Assets	\$ <u>3,636,972</u>	\$ <u>3,603,329</u>
<b>Liabilities</b>		
Current Liabilities	\$ 875,810	\$ 896,727
Non-current Liabilities	<u>73,738</u>	<u>331,789</u>
Total Liabilities	\$ <u>949,548</u>	\$ <u>1,228,516</u>
<b>Net Assets</b>		
Invested in Capital	\$ 2,503,779	\$ 2,576,279
Unrestricted	<u>183,645</u>	<u>(201,466)</u>
Total Net Assets	\$ <u>2,687,424</u>	\$ <u>2,374,813</u>

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Unaudited)**

Total Assets increased by \$33,643 from 2004. Receivables for the School increased from 2004. The capital assets of the School decreased from 2004. The decrease was a result of the School not making any major capital investments in 2004.

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

Table 2 shows the changes in net assets for fiscal year 2005 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)

	<u>2005</u>	<u>2004</u>
<b>Change in Net Assets</b>		
<b>Operating Revenues</b>		
State Aid	\$ 7,140,315	\$ 5,826,119
Other	51,224	45,569
<b>Non-Operating Revenues</b>		
Grants	1,247,050	1,400,278
Interest	5,381	1,407
Contributions	<u>222,044</u>	<u>42,209</u>
Total Revenues	8,666,014	7,315,582
<b>Operating Expenses</b>		
Salaries and wages	4,833,341	4,107,797
Fringe benefits	1,178,930	1,146,109
Purchased services	1,103,270	833,320
Materials and supplies	806,502	714,320
Depreciation	255,924	223,998
Other	150,483	125,868
<b>Non-Operating Expenses</b>		
Interest	23,635	35,732
Other	<u>1,318</u>	<u>-</u>
Total Expenses	<u>8,353,403</u>	<u>7,187,144</u>
Change in Net Assets	<u>\$ 312,611</u>	<u>\$ 128,438</u>

The increase in State Aid from 2004 was due to an increase in enrollment and an increase in the funding formula used by the State of Ohio. The funding formula for parity aid increased the State Funding revenue. The most significant expense for the School is salaries and wages and benefits. The amount spent in those areas increased by \$758,365 from 2004. The increase was due to a general wage increase for staff as well as additional staff employed by the School.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2005**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 441,809
Receivables:	
Grants	558,444
Intergovernmental	<u>132,940</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,133,193</b>

**NON-CURRENT ASSETS**

Capital assets, net of accumulated depreciation	<u>2,503,779</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,636,972</u></b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 74,408
Accrued expenses	611,737
Notes payable, current portion	<u>189,665</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>875,810</b>

**LONG-TERM LIABILITIES**

Capital lease payable	<u>\$ 73,738</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 949,548</u></b>

**NET ASSETS**

Invested in Capital Assets	2,503,779
Unrestricted Net Assets	<u>183,645</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 2,687,424</u></b>

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2005**

**OPERATING REVENUES**

Foundation payments	\$ 6,151,680
Disadvantaged pupil impact aid	988,635
Other	<u>51,224</u>
<b>TOTAL OPERATING REVENUES</b>	<b>7,191,539</b>

**OPERATING EXPENSES**

Salaries and wages	4,833,341
Fringe benefits	1,178,930
Purchased services	1,103,270
Materials and supplies	806,502
Depreciation	255,924
Other	<u>150,483</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>8,328,450</u></b>

OPERATING LOSS (1,136,911)

**NON-OPERATING REVENUES (EXPENSES)**

Federal grant revenue	1,247,050
Contributions	222,044
Interest earnings	5,381
Interest expense	(23,635)
Other	<u>(1,318)</u>
<b>NET NON-OPERATING REVENUES</b>	<b><u>1,449,522</u></b>

CHANGE IN NET ASSETS 312,611

NET ASSETS, JULY 1, 2004 2,374,813

NET ASSETS, JUNE 30, 2005 \$ 2,687,424

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from State of Ohio	\$ 7,101,635
Cash payments to suppliers for goods and services	(2,051,037)
Cash payments to employees for services and benefits	(5,924,196)
Other operating revenue	<u>51,224</u>
Net cash used for operating activities	(822,374)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from Contributions	222,044
Cash received from State of Ohio - Federal Grant Monies	<u>1,172,242</u>
Net cash provided by noncapital financing activities	1,394,286

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Cash payments for capital acquisitions	(157,721)
Cash payments on notes payable	(336,364)
Interest payments	<u>(23,635)</u>
Net cash used for capital and related financing activities	(517,720)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>5,381</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,573
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>382,236</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 441,809</u></u>

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005  
(Continued)**

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

Operating Loss \$ (1,136,911)

**ADJUSTMENTS TO RECONCILE OPERATING INCOME  
TO NET CASH USED FOR OPERATING ACTIVITIES**

Depreciation	255,924
Changes in assets and liabilities:	
Increase in Grants Receivable	(7,889)
Increase in Intergovernmental Receivable	(38,680)
Increase in Accounts Payable	9,218
Increase in Accrued Expenses	<u>95,964</u>
Total adjustments	<u>314,537</u>
Net cash used for operating activities	<u><u>\$ (822,374)</u></u>

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Eagle Heights Academy (the School) is a state nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing July 1, 1998 and renewed for two years commencing July 1, 2003. The School operates under a self-appointing six-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by 68 non-certified and 83 certified full-time teaching personnel who provide services to 954 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (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**

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) 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 net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. Equity (i.e., net total assets) consists of the retained earnings. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract, however the budget does not have to follow Ohio Revised Code Section 5705.

The School'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 School Principal and Business Manager are responsible for ensuring that purchases are made within these limits.

**D. CASH AND CASH EQUIVALENTS**

All cash received by the School is maintained at a central bank.

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased is considered to be cash equivalents.

**E. CAPITAL ASSETS AND DEPRECIATION**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of furniture and fixtures, textbooks, and equipment is computed using the straight line method over estimated useful lives of five to ten years. Leasehold improvements are depreciated over an estimated useful life of 39 or 40 years.

**F. INTERGOVERNMENTAL REVENUES**

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

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in the discovery of an underpayment to the school in the amount of \$25,630.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when the 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.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

**G. ACCRUED EXPENSES**

Payroll and withholdings (\$611,737), which are due but unpaid as of June 30, 2005, are reported as Accrued Expenses in the accompanying Balance Sheet.

**H. USE OF ESTIMATES**

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

**I. FEDERAL TAX EXEMPT STATUS**

On August 23, 1999, the School was granted status as an exempt organization under Internal Revenue Code Section 501 (c)(3) and is exempt from federal income taxes. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

**3. ACCOUNTABILITY AND COMPLIANCE**

**Changes in Accounting Principles**

For fiscal year 2005, the School has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

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

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

The implementation of GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the School.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

Deposits: At June 30, 2005, the carrying amount of all School deposits was \$441,809. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$100,000 of the School's bank balance of \$766,115 was covered by Federal Deposit Insurance Corporation, while \$666,115 was exposed to custodial risk as discussed below.

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

**5. RECEIVABLES**

Receivables of the School at June 30, 2005 consisted of federal Title program grants of \$558,444 and \$132,940 of foundation funding due from the Ohio Department of Education. All receivables are considered collectible in full, due to the stable condition of the programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**6. NOTES PAYABLE**

At June 30, 2005, the School had the following note outstanding:

National City Bank Note  
Principal Outstanding \$189,665  
Interest Rate 4.60%

This Note was issued for the purpose of making improvements to the existing school building and is collateralized by a blanket lien on all business assets. Payments of principal and interest are due monthly. The amount required to amortize the existing note obligation is as follows:

National City Bank Note

Year Ending	Amount
<u>June 30</u> 2006	<u>\$198,390</u>

**7. CAPITAL ASSETS AND DEPRECIATION**

A summary of the School's capital assets at June 30, 2005, follows:

	Balance 7/1/04	Additions	Deductions	Balance 6/30/05
Leasehold Improvements	\$1,829,027	\$ -	\$ -	\$ 1,829,027
Building	200,000	-	-	200,000
Furniture and Fixtures	355,147	-	-	355,147
Textbooks	493,198	34,340	-	527,538
Equipment	<u>989,420</u>	<u>149,084</u>	-	<u>1,138,504</u>
Total Capital Assets	<u>\$3,866,792</u>	<u>\$ 183,424</u>	\$ -	<u>\$ 4,050,216</u>

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**7. CAPITAL ASSETS AND DEPRECIATION (Continued)**

Less: Accumulated Depreciation				
Leasehold Improvements	(192,969)	(33,104)	-	(226,073)
Building	(11,667)	(5,000)	-	(16,667)
Furniture and Fixtures	(168,690)	(41,517)	-	(210,207)
Textbooks	(275,978)	(74,936)	-	(350,914)
Equipment	(641,209)	(101,367)	-	(742,576)
Total Accumulated Depreciation	<u>(1,290,513)</u>	<u>(255,924)</u>	<u>-</u>	<u>(1,546,437)</u>
Net Capital Assets	<u>\$2,576,279</u>	<u>\$ (72,500)</u>	<u>\$ -</u>	<u>\$ 2,503,779</u>

**8. PURCHASED SERVICES**

Purchased Services include the following:

Occupancy Costs	\$ 252,150
Professional Services	606,331
Insurance	56,380
Advertising & Promotion	34,398
Computer Maintenance	119,076
Other	34,935
	<u>\$1,103,270</u>

**9. CAPITAL LEASES**

The School entered into two lease agreements in fiscal year 2004 with Key Municipal Finance for electronic white boards. The School's lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases". The electronic white boards have been capitalized in the amount of \$139,890, the present value of the minimum lease payments at the inception of the lease. The book value as of June 30, 2005 was \$86,746. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments are as follows:

Year Ending	<u>Amount</u>
<u>June 30</u>	
2006	28,580
2007	28,580
2008	28,580
2009	<u>1,006</u>
Total future minimum lease payments	\$ 86,746
Less: amount representing interest	<u>(13,008)</u>
Present value of future minimum lease payments	<u>\$ 73,738</u>

A liability for capital lease obligations in the amount of \$73,738 is reported on the Statement of Net Assets.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**10. OPERATING LEASE**

The School entered into a five-year operating lease agreement on September 1, 2003 for a parcel of land on the southerly side of Delason Avenue in the city of Youngstown to be used for additional parking for the School at a cost of \$4,000 per year. The following is a schedule of the future minimum lease payments required under the operating lease:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 4,000
2007	4,000
2008	<u>4,000</u>
Total future minimum lease payments	<u>\$ 12,000</u>

**11. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School contracted with Midwestern Indemnity Company for property and general liability insurance. Property coverage carries a \$1,000 deductible and has a \$350,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The Midwestern Indemnity Company provides umbrella liability coverage of \$10,000,000 per occurrence, as well as aggregate and excess umbrella liability coverage of \$10,000,000 per occurrence.

Director and officer coverage is provided by The Midwestern Indemnity Company with a \$1,000,000 aggregate limit and no deductible.

**Workers Compensation** – The School pays the State Worker’s Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the total monthly gross payroll by a factor determined by the Bureau of Worker’s Compensation.

**12. OTHER EMPLOYEE BENEFITS**

**Employee Medical, Dental, and Vision Benefits** – The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 90% of the monthly premium for family and single employees, respectively. The employee is responsible for the remaining percentage. For fiscal year 2005, the School’s and the employees’ premiums were \$774.12 and \$77.41 for family coverage and \$304.75 and \$30.47 for single coverage per employee per month, respectively.

The School has also contracted with private carriers to provide dental and vision insurance. The employee is responsible for all of the monthly premium. The employees’ premiums for dental and vision were \$82.53 for family coverage and \$30.91 for single coverage per employee per month, respectively.

**Insurance Benefits** – The School provides life insurance to all employees through a private carrier. Coverage in the amount of \$15,000 is provided for all certified and non-certified employees. The School pays premiums for this coverage at a rate of \$2.10 per employee per month.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The 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 School is required to contribute 14 percent; for fiscal year 2005, 10.57 percent was the portion to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$147,833, \$109,455 and \$13,755, respectively; 94 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$9,523 representing the unpaid contribution for fiscal year 2005 is recorded as a liability within accrued expenses.

**B. State Teachers Retirement System**

The School also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 the 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% 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. The option expired December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

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

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$488,518, \$419,497 and \$332,526, respectively; 88 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,666 made by the School and \$16,530 made by the plan members. \$56,252, representing the unpaid contribution for fiscal year 2005, is recorded as a liability within accrued expenses.

**14. POST EMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and contribution rates are established by the Systems based on authority granted by State statute. Both Systems are on 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. 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 funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the School, this amount equaled \$37,578 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Stabilization fund. The balance in the Health Care Stabilization fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS were \$254.78 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For fiscal year 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48% from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**14. POST EMPLOYMENT BENEFITS (Continued)**

For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2% of each employer's SERS salaries. For the 2005 fiscal year, the School paid \$14,022 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits.

**15. 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2005.

**B. Litigation**

A suit was filed in the US 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. The case is still pending. The effect of this suit, if any, on Eagle Heights Academy is not presently determinable.

**16. JOINTLY GOVERNED COUNCIL OF GOVERNMENTS**

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed Council of Governments organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Eagle Heights is a non-voting member of this organization. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302.

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**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation		10.550		\$13,951		\$13,951
School Breakfast Program	05-PU	10.553	\$123,149		\$123,149	
National School Lunch Program	03-PU, 04-PU	10.555	<u>302,646</u>		<u>302,646</u>	
Total Department of Agriculture - Nutrition Cluster			<u>425,795</u>	<u>13,951</u>	<u>425,795</u>	<u>13,951</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF	84.027	111,900		197,775	
Title I Grants to Local Educational Agencies	C1-S1	84.010	470,985		828,751	
Safe and Drug Free Schools and Communities - State Grants	DR-S1	84.186	3,771		9,436	
21st Century Community Learning Centers	T1-S1	84.287	265,597		279,501	
State Grants for Innovative Programs	C2-S1	84.298	7,233		3,362	
Education Technology State Grants	G2-S4	84.318	4,715		36,554	
Improving Teacher Quality - State Grants	TR-S1	84.367	<u>113,754</u>		<u>82,831</u>	
Total Department of Education			<u>977,955</u>	<u>0</u>	<u>1,438,210</u>	<u>0</u>
<b>Totals</b>			<u><b>\$1,403,750</b></u>	<u><b>\$13,951</b></u>	<u><b>\$1,864,005</b></u>	<u><b>\$13,951</b></u>

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the School'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 School 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 market value of the commodities received.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



# 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*

Eagle Heights Academy  
Mahoning County  
1833 Market Street  
Youngstown, Ohio 44507

To the Board of Trustees:

We have audited the financial statements of Eagle Heights Academy, (the "School"), as of and for the year ended June 30, 2005, which comprise the School's basic financial statements and have issued our report thereon dated July 19, 2007. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-003 and 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition item 2005-003 listed above to be a material weakness. In a separate letter to the School's management dated July 19, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the School's management dated July 19, 2007, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, 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 19, 2007



# 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

Eagle Heights Academy  
Mahoning County  
1833 Market Street  
Youngstown, Ohio 44507

To the Board of Trustees:

#### **Compliance**

We have audited the compliance of Eagle Heights Academy, (the "School") 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 program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School'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 School'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 School'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 School's compliance with those requirements.

In our opinion, Eagle Heights Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### **Internal Control Over Compliance**

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

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

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

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

**Mary Taylor, CPA**  
Auditor of State

July 19, 2007

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

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

**FINDING NUMBER - 2005-001**

**Finding for Recovery – Repaid Under Audit**

The School was using the wrong State Teachers Retirement System (STRS) percentage rate for Ramona Robbins, when deducting for STRS from her paychecks. From the period of July 1, 2003 through October 20, 2006, the School deducted 9.5% instead of the required 10%, which resulted in an underpayment to STRS of \$605.15.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Ramona Robbins in the amount of \$605.15 and Ron King, Business Manager and his bonding company, Ohio Farmers Insurance Company, jointly and severally, and in favor of the State Teachers Retirement System in the amount of \$605.15

Furthermore, we recommend that the Business Manager closely monitor the School's payroll system to ensure that the most current retirement rates are being applied to employee salaries.

**Officials' Response**

We have established a repayment plan through payroll deductions with this employee which will recover this discrepancy by December 31, 2007. We will closely monitor for any changes in retirement rates.

**FINDING NUMBER - 2005-002**

**Finding for Recovery – Repaid Under Audit**

The School was using the wrong STRS percentage rate for Rose Miller, when deducting for STRS from her paychecks. From the period of July 1, 2003 through October 20, 2006, the School deducted 9.5% instead of the required 10%, which resulted in an underpayment to STRS of \$591.70.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Rose Miller in the amount of \$605.15 and Ron King, Business Manager and his bonding company, Ohio Farmers Insurance Company, jointly and severally, and in favor of the State Teachers Retirement System in the amount of \$591.70.

Furthermore, we recommend that the Business Manager closely monitor the School's payroll system to ensure that the most current retirement rates are being applied to employee salaries.

**Officials' Response**

We have established a repayment plan through payroll deductions with this employee which will recover this discrepancy by December 31, 2007. We will closely monitor for any changes in retirement rates.

### FINDING NUMBER - 2005-003

#### Material Weakness – Cash and Payroll Reconciliations

The School does not perform a monthly cash or payroll reconciliation. It is only performed after the fiscal year has ended. This situation has led to the inability of the School to detect accounting errors or other irregularities on a timely basis over these accounts.

To improve this weakness, we recommend that these accounts be reconciled on a monthly basis and that any errors or mispostings be corrected on a timely basis. The School should also ensure that all reconciling items are sufficiently supported by documentation. Finally, the Business Manager should include the monthly reconciliations into the report package that is given to the Board at their monthly meeting so that they can be kept informed of the financial position of the School. This will help improve financial accountability for all expenditures and reduce the risk of misappropriation of School assets.

#### Officials' Response

We have closed the payroll clearing account as of March 15, 2007 and we will perform monthly cash reconciliations on a more timely basis.

### FINDING NUMBER - 2005-004

#### Reportable Condition – Audit Difficulties

We noted the following difficulties in trying to perform the audit of the School:

- a. The School did not provide a clear audit trail for their general checking account reconciliation as of June 30, 2005. There were 65 reconciling items and, of these, 41 items initially had inadequate documentation to substantiate them. This led to extensive time delays from the School in obtaining explanations for these items, which were eventually provided and;
- b. The School's GAAP financial statements and related footnote disclosures required numerous corrections due to errors and incomplete information and data provided by the entity. Difficulties included footing errors within the statements and footnote disclosures as well as outdated disclosures for "Deposits and Investments", "Defined Benefit Pension Plans", and "Post Employment Benefits" as well as missing disclosures for "Litigation", an "Operating Lease", and its membership in a "Jointly Governed Organization".

These difficulties lead to an inordinate amount of time being expended by the School and its officials to correct these discrepancies, which substantially delayed and hindered the completion of this audit.

We recommend the following:

- a. The School maintain a properly reconciled general checking account, and;
- b. The School provide a complete and accurate set of GAAP financial statements and footnote disclosures for audit purposes.

#### Officials' Response

We have hired a CPA firm to perform our yearly GAAP conversions beginning with fiscal year 2006. We believe this will alleviate future audit delays. We also will provide clear audit trails to our monthly cash reconciliations.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**NONE**

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
<b>2004-001</b>	Payroll clearing account was not reconciled on a monthly basis.	No	Reissued as Finding Number 2005-003
<b>2004-002</b>	Audit Difficulties: the School did not provide a properly reconciled payroll clearing account and the GAAP financial statements and related footnote disclosures required numerous corrections due to unfamiliarity with the presentation requirements.	No	Reissued as Finding Number 2005-004





**Mary Taylor, CPA**  
Auditor of State

**EAGLE HEIGHTS ACADEMY**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 11, 2007**