

**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Golden Eagle Digital Academy
Stark County
901 44th Street, N.W.
Canton, Ohio 44709

To the Board of Directors:

We have audited the accompanying basic financial statements of the Golden Eagle Digital Academy, Stark County, Ohio (the Academy) a component unit of the Plain Local School District, as of and for the year ended June 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Golden Eagle Digital Academy, as of June 30, 2006, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the basic financial statements, the Academy discontinued educational operations effective June 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

November 14, 2006

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The discussion and analysis of the Golden Eagle Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

The Academy ended educational operations on June 30, 2006. The Academy was created on July 18, 2002 and began operations on August 26, 2002. The Academy maintained an average of 25 students over three years of operations. The assets of the Academy reverted to its Sponsor (Plain Local School District) upon the dissolution of the Academy. The Sponsor will use these assets to continue addressing the needs of students who benefited from the Academy's curriculum.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The Statement of Net Assets is not presented for fiscal year 2006 due to the dissolution of the Academy on June 30, 2006.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Statement of Revenues, Expenses and Changes in Net assets can be found on page 7 of this report.

The statement of cash flows can be found on page 8 of this report.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The table below provides a summary of the Academy's net assets for fiscal year 2006 and 2005.

	2006	2005
<u>Assets</u>		
Current assets	\$ -	\$ 201,028
Capital assets, net	-	25,653
Total assets	-	226,681
<u>Liabilities</u>		
Current liabilities	-	3,508
Total liabilities	-	3,508
<u>Net Assets</u>		
Invested in capital assets	-	25,653
Restricted	-	137,650
Unrestricted	-	59,870
Total net assets	\$ -	\$ 223,173

The decrease in assets, liabilities, and net assets is attributable to the Academy's payment of remaining liabilities and transfer of all remaining assets to the Sponsor due to the dissolution of the Academy. The Academy transferred net capital assets of \$20,145 to Plain Local School District, its Sponsor, on June 30, 2006.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

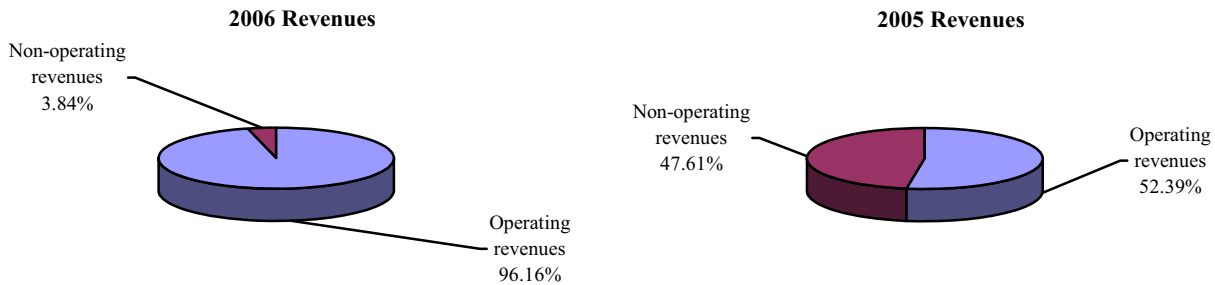
The table below shows the changes in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	<u>2006</u>	<u>2005</u>
<u>Operating Revenues:</u>		
State foundation	\$ 146,436	\$ 171,601
Total operating revenue	<u>146,436</u>	<u>171,601</u>
<u>Operating Expenses:</u>		
Purchased services	284,842	263,470
Materials and supplies	64,964	240
Depreciation	<u>5,508</u>	<u>5,508</u>
Total operating expenses	<u>355,314</u>	<u>269,218</u>
<u>Non-operating revenues (expenses):</u>		
Federal and state grants	5,850	155,925
Assets to Sponsor upon dissolution	<u>(20,145)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(14,295)</u>	<u>155,925</u>
Change in net assets	(223,173)	58,308
Net assets at beginning of year	<u>223,173</u>	<u>164,865</u>
Net assets at end of year	<u><u>\$ -</u></u>	<u><u>\$ 223,173</u></u>

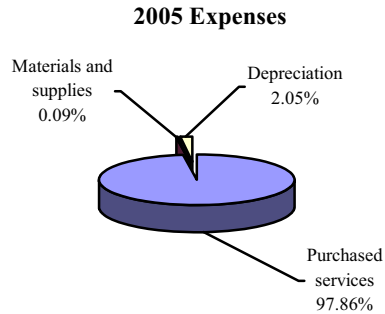
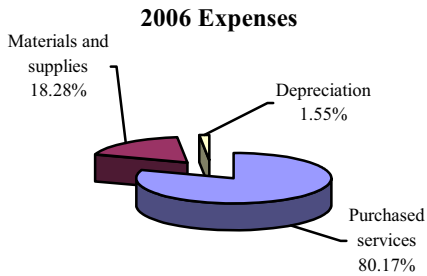
As stated in Note 13 to the financial statements, the Academy ceased operations on June 30, 2006. All assets remaining at that time were transferred to the Academy's Sponsor.

The charts below illustrate the revenues and expenses for the Academy during fiscal 2006 and 2005.



**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**



Capital Assets

At June 30, 2006, the Academy ceased operations and all remaining capital assets, net of accumulated depreciation, of \$20,145, became the property of the Sponsor, Plain Local School District. See Note 4 to the basic financial statements for more detail on capital assets.

Current Conditions

The Academy was sponsored by the Plain Local School District. The Academy relied on the state foundation funds as well as federal sub-grants to provide the monies necessary to begin the start-up of an online educational program.

In conclusion, the Academy committed itself to providing state of the art technology based educational opportunities to students. However, the Academy closed as of June 30, 2006, and will no longer provide educational services. All assets reverted to the Sponsor at June 30, 2006. The Sponsor worked with the Office of Community Schools to return the value of the supplies and equipment purchased through federal funds to the Ohio Department of Education.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kathleen Jordan, CFO, Golden Eagle Digital Academy, 901 44th Street, NW, Canton, Ohio 44709-1699.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	2006
Operating revenues:	
State foundation	\$ 146,436
Total operating revenues	146,436
Operating expenses:	
Purchased services	284,842
Materials and supplies	64,964
Depreciation	5,508
Total operating expenses	355,314
Operating loss	(208,878)
Non-operating revenues (expenses):	
Federal and state grants	5,850
Assets to Sponsor upon dissolution	(20,145)
Total non-operating revenues (expenses)	(14,295)
Change in net assets	(223,173)
Net assets at beginning of year	223,173
Net assets at end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	2006
Cash flows from operating activities:	
Cash received from State foundation.	\$ 144,298
Cash payments to suppliers for goods and services . . .	(285,597)
Cash payments for materials and supplies	(65,084)
Net cash used in operating activities	(206,383)
Cash flows from noncapital financing activities:	
Federal and state grants.	130,850
Net cash provided by noncapital financing activities	130,850
Net decrease in cash and cash equivalents	(75,533)
Cash and cash equivalents at beginning of year . . .	75,533
Cash and cash equivalents at end of year.	\$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (208,878)
Adjustments:	
Depreciation	5,508
Changes in assets and liabilities:	
Decrease in prepayments	495
Decrease in accounts payable.	(1,370)
Decrease in intergovernmental payable.	(2,138)
Net cash used in operating activities	\$ (206,383)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Golden Eagle Digital Academy (the "Academy") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Plain Local School District (the "Sponsor") addressing the needs of students in kindergarten through the twelfth grade. The Academy, which was part of the State's education program, was independent of any school district and was nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy is considered a component unit of the Plain Local School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy was designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment. Because the focus was on distance learning, the ability of students to learn independently in their own homes using an online educational program was an essential element of the Academy's program.

The Academy was approved under contract with the Sponsor for a period of five years commencing July 18, 2002. The Academy began operations on August 26, 2002 and ceased operations effective June 30, 2006. All assets of the Academy reverted to the Sponsor on June 30, 2006 in accordance with the Sponsorship Contract (see Note 13). The Sponsor was responsible for evaluating the performance of the Academy.

The Academy operated under the direction of a five-member Board of Directors. The Board was composed of the Sponsor's Superintendent together with two other licensed administrators who were employed by the Sponsor. The Board also included two other persons who are neither officers nor staff members of the Academy or Sponsor to serve as voting members. One of these members was a public educator or other public official representing a governmental entity that desired to further the establishment and operation of the Academy. The other member was a representative appointed by the Academy who within one year following the incorporation of the Academy, was to be replaced by a person who represented the interests of parents and students served by the Academy. The Board was responsible for carrying out the provisions of the contract, which included, but were not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The Academy, under a purchased services basis with with Stark-Portage Area Computer Consortium (SPARCC) in partnership with Tri-Rivers Educational Computer Association (TRECA), provided planning, instructional, and technical services. Personnel providing services to the Academy on behalf of SPARCC in partnership with TRECA were considered employees of SPARCC and TRECA, and SPARCC and TRECA shall be solely responsible for all payroll functions. Additional personnel services were provided by the Sponsor on a purchased services basis. The Academy provided services to approximately twenty-five students during 2006.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant 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) 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.

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition were reported as non-operating.

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 (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 utilized for reporting purposes. Revenues are recognized when they are 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 budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor required a detailed school budget for each year of the contract; however, the budget did not have to follow the provisions of Ohio Revised Code Section 5705, except for section 5705.391 as it relates to five-year forecasts and spending plans.

D. Cash

All monies received by the Academy were deposited in a demand deposit account. The Academy had no investments during the period ended June 30, 2006. As of June 30, 2006, the Academy had no remaining "Cash and Cash Equivalents".

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

E. Capital Assets and Depreciation

All capital assets were capitalized at cost and updated for additions and reductions during the year. Donated capital assets were recorded at their fair market value on the date donated. The Academy maintained a capitalization threshold of \$750. The Academy did not have any infrastructure. Improvements were capitalized. The costs of normal maintenance and repairs that did not add to the value of the asset or materially extend an asset's life were not capitalized.

All capital assets were depreciated. Improvements were depreciated over the remaining useful lives of the related capital assets. Depreciation was computed using the straight-line method. Furniture and equipment was depreciated over five to twenty years.

In accordance with the Sponsorship Contract and as discussed in Note 13, all capital assets were transferred to the Sponsor at June 30, 2006.

F. 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. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applied restricted resources first when an expense was incurred for purposes for which both restricted and unrestricted net assets were available. The Academy had no restricted assets as of June 30, 2006.

G. Prepayments

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had no prepayments as of June 30, 2006.

H. Intergovernmental Revenue

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grants for the fiscal year 2006 received by the Academy were \$5,850.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

I. Estimates

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

NOTE 3 - DEPOSITS

At June 30, 2006, the carrying amount of the Academy's deposits was \$0 and the bank balance was \$43,294. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2006, none of the Academy's bank balance was exposed to custodial risk. The bank balance was covered by federal depository insurance.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Transfer of Assets to Sponsor</u>	<u>Balance at June 30, 2006</u>
Furniture and equipment	\$ 35,754	\$ -	\$ (35,754)	\$ -
Less: accumulated depreciation	<u>(10,101)</u>	<u>(5,508)</u>	<u>15,609</u>	<u>-</u>
Capital assets, net	<u>\$ 25,653</u>	<u>\$ (5,508)</u>	<u>\$ (20,145)</u>	<u>\$ -</u>

See Note 13 regarding the transfer of capital assets, net to the Sponsor upon dissolution.

NOTE 5 - RISK MANAGEMENT

The Academy was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2006, the Academy was named on the Sponsor's policy with Indiana Insurance Company for property and general liability insurance.

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2006, purchased services expenses were as follows:

Professional and technical services	\$271,245
Property services	2,070
Travel and meetings	<u>11,527</u>
Total	<u>\$284,842</u>

For fiscal year 2006, the above included \$170,964 of purchased services provided by the Sponsor.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 7 - PERSONNEL AGREEMENT

The Academy entered into a personnel agreement with the Sponsor for personnel services. This agreement was for the period of one year beginning July 1, 2005, with an automatic renewal option. Annual payments for the fiscal year 2006 were \$120,700.

NOTE 8 - SERVICE AGREEMENT

The Academy entered into a contract on November 20, 2002, with Stark/Portage Area Computer Consortium (SPARCC) for management consulting services. Under this contract, the following terms were agreed upon:

1. SPARCC shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
2. All personnel providing services to the Academy on behalf of SPARCC under the agreement shall be employees of SPARCC and SPARCC shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure, which may be required by law.
3. The technical services provided by SPARCC to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
4. The Academy shall pay to SPARCC \$3,500 per full-time high school student and \$2,500 per full-time K-8 student enrolled in the Academy per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2006, \$166,670 was paid to SPARCC for services related to the service agreement. To obtain SPARCC's audited June 30, 2006 financial statements, please contact Mr. Clifford Pocock, Treasurer, 2100 38th Street N.W., Canton, Ohio 44709.

NOTE 9 - PENSION PLANS

The Sponsor and TRECA, under a purchased services basis with the Academy, provided employee services and paid those employees. However, these purchased services did not relieve the Academy of the obligation for remitting pension contributions. The retirement systems considered the Academy as the Employer-of-Record and the Academy ultimately responsible for remitting contributions to each of the systems noted below:

A. School Employees Retirement System

TRECA and the Sponsor contributed to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - PENSION PLANS - (Continued)

That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used 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 requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for fiscal year ended 2006 were paid by TRECA and the Sponsor.

B. State Teachers Retirement System

TRECA and the Sponsor participated in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 9 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for 2006 and 2005. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contribution for pension obligations to STRS for fiscal year ended 2006 were paid by TRECA and the Sponsor.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The Academy provided comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are 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 STRS 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 health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 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, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 11 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 Academy at June 30, 2006.

B. Litigation

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

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The 2006 fiscal year review indicated the State owed the Academy \$3,421. Due to the dissolution of the Academy, the Sponsor would receive any settlement; therefore no receivable has been recorded by the Academy.

NOTE 12 - RELATED PARTY TRANSACTION

Little Eagle Kindergarten Program and Plain Local Academy of Technology had similar board members as Golden Eagle Digital Academy. There were no financial contributions between these related party entities.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - CONTINUED EXISTENCE

Due to a lack of grant funding and the expectations of the operation of the Academy that would have resulted in the ineffective spending and an overuse of personnel, the Academy ceased educational operations effective June 30, 2006. The Sponsorship Contract requires that, upon dissolution, any remaining assets of the Academy be conveyed to the Sponsor (Plain Local School District). On June 30, 2006, the Academy transferred its remaining capital assets of \$20,145, net of accumulated depreciation, to the Sponsor in accordance with the Sponsorship Contract. This transfer of assets to the Sponsor is reflected on the financial statements as "Assets to Sponsor upon dissolution".

During the dissolution process the Academy consulted the Ohio Department of Education, Office of Community Schools. One of the procedures required of the Academy and Sponsor was to obtain fair market values for property acquired using federal grants. As a result, the Sponsor, who acquired these assets as part of the Sponsorship Agreement, remitted \$2,559 to the Treasurer of the State of Ohio on September 30, 2006.

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**Auditor of State
Betty Montgomery**

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

Golden Eagle Digital Academy
Stark County
901 44th Street, N.W.
Canton, Ohio 44709

To the Board of Directors:

We have audited the financial statements of the Golden Eagle Digital Academy, Stark County, Ohio, (the Academy) a component unit of the Plain Local School District, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 14, 2006, wherein we noted the Academy discontinued educational operations effective June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Golden Eagle Digital Academy
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

November 14, 2006



**Auditor of State
Betty Montgomery**

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GOLDEN EAGLE DIGITAL ACADEMY

STARK 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
JANUARY 16, 2007**