LITTLE EAGLE KINDERGARTEN PROGRAM
STARK COUNTY

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2006

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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LITTLE EAGLE KINDERGARTEN PROGRAM
STARK COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Little Eagle Kindergarten Program
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 Little Eagle Kindergarten Program, Stark County, Ohio (the Program) 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 Program'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 Little Eagle Kindergarten Program, 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 12 to the basic financial statements, the Program 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 Program'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.

Betty Montgomery

Betty Montgomery
Auditor of State

November 14, 2006

LITTLE EAGLE KINDERGARTEN PROGRAM
STARK COUNTY, OHIO

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

The discussion and analysis of the Little Eagle Kindergarten Program's (the "Program") financial performance provides an overall review of the Program's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the Program'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 Program's financial performance.

Financial Highlights

The Program ended educational operations on June 30, 2006. The Program was created on July 18, 2002 and began operations on August 25, 2003. The Program maintained an average of 25 students over three years of operations. The assets of the Program reverted to its Sponsor (Plain Local School District) upon the dissolution of the Program. The Sponsor will use these assets to continue addressing the needs of students who benefited from the Program'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 Program'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 Program, 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 Program on June 30, 2006.

Reporting the Program'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 Program's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Program as a whole, the *financial position* of the Program 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.

LITTLE EAGLE KINDERGARTEN PROGRAM
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 Program's net assets for fiscal year 2006 and 2005.

Net Assets

	2006	2005
Assets		
Current assets	$ -	$ 156,482
Capital assets, net	-	19,736
Total assets	-	176,218
Liabilities		
Current liabilities	-	525
Total liabilities	-	525
Net Assets		
Invested in capital assets	-	19,736
Restricted	-	137,172
Unrestricted	-	18,785
Total net assets	$ -	$ 175,693

The decrease in assets, liabilities, and net assets is attributable to the Program's payment of remaining liabilities and transfer of all remaining assets to the Sponsor due to the dissolution of the Program. The Program transferred net capital assets of $14,114 to Plain Local School District, its Sponsor, on June 30, 2006.

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

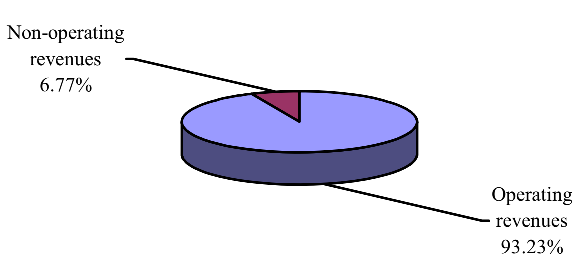
Change in Net Assets

	2006	2005
Operating Revenues:		
State foundation	$ 68,498	$ 72,622
Other	336	336
Total operating revenue	68,834	72,958
Operating Expenses:		
Purchased services	224,191	160,462
Materials and supplies	5,600	1,478
Depreciation	5,622	5,622
Total operating expenses	235,413	167,562
Non-operating revenues (expenses):		
Federal and state grants	5,000	153,000
Assets to Sponsor upon dissolution	(14,114)	-
Total non-operating revenues (expenses)	(9,114)	153,000
Change in net assets	(175,693)	58,396
Net assets at beginning of year	175,693	117,297
Net assets at end of year	$ -	$ 175,693

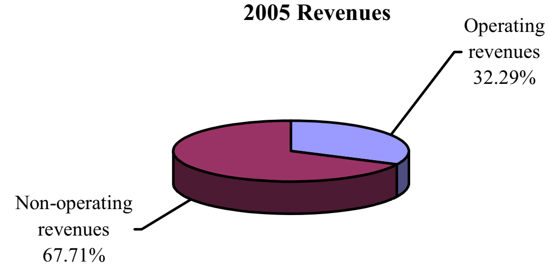
As stated in Note 12 to the financial statements, the Program ceased operations on June 30, 2006. All assets remaining at that time were transferred to the Program's Sponsor.

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

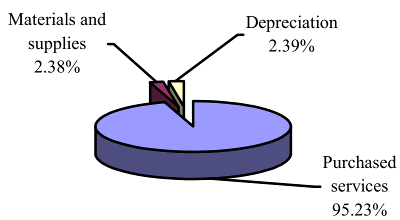
2006 Revenues



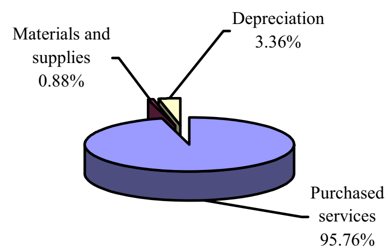
2005 Revenues



2006 Expenses



2005 Expenses



Capital Assets

At June 30, 2006, the Program ceased operations and all remaining capital assets, net of accumulated depreciation, of $14,114, 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 Program was sponsored by the Plain Local School District. The Program relied on the state foundation funds as well as the federal sub-grants to provide the monies necessary to begin the start-up of a kindergarten school.

In conclusion, the Little Eagle Kindergarten Program has committed itself to providing premier early childhood opportunities to students. However, the Program 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 Program's Financial Management

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

LITTLE EAGLE KINDERGARTEN PROGRAM
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.	$ 68,498
Other	336
Total operating revenue	68,834
Operating expenses:	
Purchased services.	224,191
Materials and supplies	5,600
Depreciation	5,622
Total operating expenses.	235,413
Operating loss	(166,579)
Non-operating revenues (expenses):	
Federal and state grants	5,000
Assets to Sponsor upon dissolution	(14,114)
Total non-operating revenues (expenses) . . .	(9,114)
Change in net assets	(175,693)
Net assets at beginning of year	175,693
Net assets at end of year	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LITTLE EAGLE KINDERGARTEN PROGRAM
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	$ 68,498
Cash received from other operations	336
Cash payments to suppliers for goods and services	(223,834)
Cash payments for materials and supplies	(5,987)
Net cash used in operating activities	(160,987)
Cash flows from noncapital financing activities:	
Federal and state grants	130,000
Net cash provided by noncapital financing activities	130,000
Net decrease in cash and cash equivalents	(30,987)
Cash and cash equivalents at beginning of year	30,987
Cash and cash equivalents at end of year	$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (166,579)
Adjustments:	
Depreciation	5,622
Changes in assets and liabilities:	
Decrease in prepayments	495
Decrease in accounts payable	(525)
Net cash used in operating activities	$ (160,987)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LITTLE EAGLE KINDERGARTEN PROGRAM
STARK COUNTY, OHIO

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

NOTE 1 - DESCRIPTION OF THE PROGRAM

The Little Eagle Kindergarten Program (the "Program") 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. The Program, 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 Program may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Program. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Program's tax-exempt status. The Program 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 Program provided opportunities for school aged students whose parents were seeking a "center experience" in a developmentally appropriate environment. The Program continued to develop a full day educational experience using the latest early childhood research to reach a diverse student population. Enrollment was limited to students within the attendance area of the Sponsor. Due to the recent research findings in the area of early literacy, technology and the arts, as well as the growing need for many of our students to experience safe, caring and learner-focused programs, we believed the time was optimal to continue an effective alternative full day program in a developmentally appropriate center environment. The Program used the services of the Sponsor, community, early childhood specialists, the Stark County Educational Service Center and the Stark Portage Area Computer Consortium to assist with overall programming and operations.

The Program was approved under contract with the Sponsor for a period of five years commencing July 18, 2002. The Program began operations on August 25, 2003 and ceased operations effective June 30, 2006. All assets of the Program reverted to the Sponsor on June 30, 2006 in accordance with the Sponsorship Contract (see Note 12). The Sponsor was responsible for evaluating the performance of the Program.

The Program 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 were neither officers nor staff members of the Program or Sponsor to serve as voting members. One of the members was a public educator or other public official representing a governmental entity that desired to further the establishment and operation of the Program. The other member was a representative appointed by the Program who within one year following the incorporation of the Program, was to be replaced by a person who represents the interests of parents and students served by the Program. 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 Sponsor, under a purchased services basis with the Program, provided planning, instructional, administrative and technical services. Personnel providing services to the Program on behalf of the Sponsor under the purchased services basis were considered employees of the Sponsor, and the Sponsor was solely responsible for all payroll functions. The Program provided services to approximately twenty-five students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Program 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 Program 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 Program had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Program elected not to apply these FASB Statements and Interpretations. The Program'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 Program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Program. All revenues and expenses not meeting this definition are 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 Program's contract with its Sponsor. The contract between the Program 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 Program were deposited in a demand deposit account. The Program had no investments during the period ended June 30, 2006. As of June 30, 2006, the Program had no remaining "Cash and Cash Equivalents".

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 Program maintained a capitalization threshold of $750. The Program 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 12, 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 Program applied restricted resources first when an expense was incurred for purposes for which both restricted and unrestricted net assets were available. The Program 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 Program had no prepayments as of June 30, 2006.

H. Intergovernmental Revenue

The Program 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 Program must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Program on a reimbursement basis. Federal and State grants for the fiscal year 2006 received by the Program were $5,000.

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 Program had no deposits and no bank balance.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for fiscal year 2006 was as follows:

	Balance at July 1, 2005	Additions	Transfer of Assets to Sponsor	Balance at June 30, 2006
Furniture and equipment	$ 30,911	$ -	$ (30,911)	$ -
Less: accumulated depreciation	(11,175)	(5,622)	16,797	-
Capital assets, net	$ 19,736	$ (5,622)	$ (14,114)	$ -

See Note 12 regarding the transfer of capital assets, net to the Sponsor upon dissolution.

NOTE 5 - RISK MANAGEMENT

The Program 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 Program 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	$221,734
Property services	2,457
Total	$224,191

For fiscal year 2006, the above included $215,701 of purchased services provided by the Sponsor.

NOTE 7 - RENTAL/PERSONNEL AGREEMENT

The Program entered into a rental/personnel agreement with the Sponsor for the use of classrooms, office space, and personnel services. This agreement was for the period of one year beginning July 1, 2005, with an automatic renewal option. Based on this agreement, payments for fiscal year 2006 were authorized up to $10,028 for rent and $231,700 for personnel services.

NOTE 8 - PENSION PLANS

The Program contracted with its Sponsor to provide employee services and pay those employees. However, these contract services did not relieve the Program of the obligation for remitting pension contributions. The retirement systems considered the Program as the Employer-of-Record and the Program ultimately responsible for remitting contributions to each of the systems noted below:

A. School Employees Retirement System

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. 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 Program is required to contribute at an actuarially determined rate. The current Program rate is 14 percent of annual covered payroll. A portion of the Program'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 Program's required contribution for pension obligations to SERS for fiscal year ended 2006 were paid by the Sponsor.

B. State Teachers Retirement System

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.

NOTE 8 - PENSION PLANS - (Continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Program 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 Program's required contribution for pension obligations to STRS for fiscal year ended 2006 were paid by the Sponsor.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Program 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.

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

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.

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 years 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 10 - CONTINGENCIES

A. Grants

The Program 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 Program at June 30, 2006.

NOTE 10 - CONTINGENCIES - (Continued)

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 Little Eagle Kindergarten Program 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 Program an immaterial amount.

NOTE 11 - RELATED PARTY TRANSACTION

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

NOTE 12 - CONTINUED EXISTENCE

Due to a lack of grant funding and the expectations of the operation of the Program that would have resulted in the ineffective spending and an overuse of personnel, the Program ceased educational operations effective June 30, 2006. The Sponsorship Contract requires that, upon dissolution, any remaining assets of the Program be conveyed to the Sponsor (Plain Local School District). On June 30, 2006, the Program transferred its remaining capital assets of $14,114, 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 Program consulted the Ohio Department of Education, Office of Community Schools. One of the procedures required of the Program 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 $4,831 to the Treasurer of the State of Ohio on September 30, 2006.

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*

Little Eagle Kindergarten Program
Stark County
901 44th Street, N.W.
Canton, Ohio 44709

To the Board of Directors:

We have audited the financial statements of the Little Eagle Kindergarten Program, Stark County, Ohio, (the Program) 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 Program 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 Program'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 Program'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*.

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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.

Betty Montgomery

Betty Montgomery
Auditor of State

November 14, 2006

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
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LITTLE EAGLE KINDERGARTEN PROGRAM

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