

**Eagle Academy  
Lucas County**

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**Financial Report  
June 30, 2010**





# Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

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Mary Taylor, CPA  
Auditor of State

Board of Directors  
Eagle Academy  
2014 Consaul Street  
Toledo, Ohio 43605

We have reviewed the *Independent Auditor's Report* of the Eagle Academy, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Eagle Academy is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 4, 2011

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# **Eagle Academy**

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## Independent Auditor's Report

To the Board of Directors  
Eagle Academy

We have audited the accompanying basic financial statements of Eagle Academy (the "Academy") as of and for the year ended June 30, 2010 as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these basic 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2010 and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2010 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, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide opinions on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

November 26, 2010





# Eagle Academy

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## Management's Discussion and Analysis

The management's discussion and analysis of Eagle Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial 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 its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### Financial Highlights

- In total, net assets increased \$124,077, which represents a 237 percent increase in the net assets from 2009.
- Total assets increased \$259,140, which represents an 86 percent increase from 2009. This was due primarily to an increase in cash and an increase in capital assets.
- Liabilities increased \$135,063, which represents a 54 percent increase from 2009. This increase was due to an increase in contracts payable to The Leona Group.

### Using this Financial Report

This report consists of three parts - the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

### Statement of Net Assets

The statement of net assets answers the question, "how did we do financially during 2010?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into account all revenue and expenses during the year, regardless of when the cash is received or paid.

# Eagle Academy

## Management's Discussion and Analysis (Continued)

Table I provides a summary of the Academy's net assets for fiscal years 2010 and 2009:

TABLE I	Governmental Activities	
	June 30, 2010	June 30, 2009
<b>Assets</b>		
Current assets	\$ 440,868	\$ 248,635
Capital assets - Net	<u>119,135</u>	<u>52,228</u>
Total assets	560,003	300,863
<b>Liabilities - Current liabilities</b>	<u>383,711</u>	<u>248,648</u>
<b>Net Assets (Deficit)</b>		
Invested in capital assets	119,135	52,228
Unrestricted	<u>57,157</u>	<u>(13)</u>
Total net assets	<u><b>\$ 176,292</b></u>	<u><b>\$ 52,215</b></u>

Total assets increased \$259,140. This was due primarily to an increase in cash and an increase in capital assets. Cash increased by \$147,522. Capital assets, net of depreciation, increased by \$66,907, due to the significant purchases of furniture and equipment in 2010.

# Eagle Academy

## Management's Discussion and Analysis (Continued)

Table 2 shows the changes in net assets for fiscal years 2010 and 2009, as well as a listing of revenue and expenses.

TABLE 2

	Governmental Activities	
	Year Ended	
	June 30, 2010	June 30, 2009
<b>Operating Revenue</b>		
Foundation payments	\$ 1,438,845	\$ 971,580
Poverty-based assistance	262,802	229,345
Federal grants	114,376	-
Other	1,545	45,161
<b>Nonoperating Revenue</b>		
Federal grants	540,773	417,777
State grants	7,374	7,355
Total revenue	2,365,715	1,671,218
<b>Operating Expenses</b>		
Salaries	792,829	546,503
Fringe benefits	336,987	193,063
Purchased services	984,222	764,941
Materials and supplies	94,889	59,475
Depreciation (unallocated)	29,487	17,688
Other expenses	3,224	4,709
Total expenses	2,241,638	1,586,379
<b>Increase in Net Assets</b>	<b>\$ 124,077</b>	<b>\$ 84,839</b>

Net assets increased \$124,077. There was an increase in revenue of \$694,497 and an increase in expenses of \$655,259 from 2009. Of the increase in revenue, the federal grants increased by \$237,372. Community schools receive no support from tax revenue. The expense for salaries and benefits increased \$390,250. Purchased services increased \$219,281. Materials and supplies expense increased \$35,414 from 2009.

# Eagle Academy

## Management's Discussion and Analysis (Continued)

### Capital Assets

At the end of fiscal year 2010, the Academy had \$119,135 invested in furniture, fixtures, and equipment (net of depreciation), which represents an increase of \$66,907 from 2009. Table 3 shows capital assets (net of depreciation) for fiscal years 2010 and 2009:

TABLE 3

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Furniture, fixtures, and equipment	<u>\$ 119,135</u>	<u>\$ 52,228</u>

For more information on capital assets, see Note 5 to the basic financial statements.

### Current Financial Issues and Economic Factors

Eagle Academy was formed in 2001 under a contract with the Ohio Council of Community Schools. During the 2009-2010 school year, there were 193 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments (including poverty-based assistance) for fiscal year 2010 totaled \$1,701,647.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 72 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on State funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

### Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Eagle Academy, at 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or by email at [don.ash@leonagroup.com](mailto:don.ash@leonagroup.com).

# Eagle Academy

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## Statement of Net Assets June 30, 2010

### Assets

#### Current assets:

Cash (Note 3)	\$ 280,794
Intergovernmental receivable (Note 4)	150,114
Prepaid expenses	<u>9,960</u>

Total current assets 440,868

Noncurrent assets - Depreciable capital assets - Net (Note 5) 119,135

Total assets 560,003

### Liabilities - Current liabilities

Accounts payable	82,402
Contracts payable (Note 12)	281,309
Accrued rent (Note 11)	<u>20,000</u>

Total current liabilities 383,711

### Net Assets

Invested in capital assets	119,135
Unrestricted	<u>57,157</u>

Total net assets \$ 176,292

# Eagle Academy

## Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

<b>Operating Revenue</b>	
Foundation payments	\$ 1,438,845
Poverty-based assistance	262,802
Federal grants - Unrestricted	114,376
Charges for services	1,330
Other revenue	<u>215</u>
Total operating revenue	1,817,568
<b>Operating Expenses</b>	
Salaries	792,829
Fringe benefits	336,987
Purchased services (Note 10)	984,222
Materials and supplies	94,889
Depreciation	29,487
Other	<u>3,224</u>
Total operating expenses	<u>2,241,638</u>
<b>Operating Loss</b>	(424,070)
<b>Nonoperating Revenue</b>	
Federal grants	540,773
State grants	<u>7,374</u>
Total nonoperating revenue	<u>548,147</u>
<b>Change in Net Assets</b>	124,077
<b>Net Assets - Beginning of year</b>	<u>52,215</u>
<b>Net Assets - End of year</b>	<u><u>\$ 176,292</u></u>

# Eagle Academy

## Statement of Cash Flows Year Ended June 30, 2010

### Cash Flows from Operating Activities

Received from foundation payments	\$ 1,414,618
Received from poverty-based assistance	262,802
Received from federal grants	114,376
Received from other operating revenue	1,545
Payments to suppliers for goods and services	(998,901)
Payments to employees for services	(740,387)
Payments for employee benefits	<u>(336,987)</u>

Net cash used in operating activities (282,934)

### Cash Flows from Noncapital Financing Activities

Federal grants received	519,476
State grants received	<u>7,374</u>

Net cash provided by noncapital financing activities 526,850

### Cash Flows from Investing Activities - Purchase of property and equipment

(96,394)

### Net Increase in Cash

147,522

### Cash - Beginning of year

133,272

### Cash - End of year

\$ 280,794

# Eagle Academy

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## Statement of Cash Flows (Continued) Year Ended June 30, 2010

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (424,070)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	29,487
Changes in assets and liabilities:	
Decrease in prepaid expenses	813
Increase in receivable	(24,227)
Increase in accounts payable	35,955
Increase in contracts payable	<u>99,108</u>
 Total adjustments	 <u>141,136</u>
 Net cash used in operating activities	 <u><u>\$ (282,934)</u></u>



### **Note 1 - Description of the School and Reporting Entity**

Eagle Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through fifth. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On August 20, 2001, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of five years through June 30, 2006. The contract has since been extended for a period of five years through June 30, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2010 were approximately \$50,000.

The Academy operates under the direction of a five-member board of directors, which is also the governing board for one other The Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by eight certified full-time teaching personnel who provide services to 193 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee and year-end fee (see Note 12).

## **Note 2 - Summary of Significant Accounting Policies**

The financial statements of Eagle Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy 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 Academy has elected to follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies are described below.

**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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

Enterprise Fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**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. The statement of revenue, expenses, and changes in net assets presents increases (i.e., revenue) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**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 Chapter 5705, unless specifically provided in the contract between the Academy and the Sponsor. The contract between the Academy and the Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

**Intergovernmental Receivables** - Receivables at June 30, 2010 consisted of intergovernmental receivables. All receivables are considered collectible in full and will be received within one year.

**Prepaid Expenses** - Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**Capital Assets** - 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 values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture, equipment, land, and leasehold improvements, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application will also be capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are charged to expense when incurred.

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining term of the operating lease. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, fixtures, and equipment	3-7 years
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**Net Assets** - Net assets represent the difference between assets and liabilities. Investments in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has no debt related to capital assets.

**Operating Revenue and Expenses** - Operating revenue is that revenue that is generated directly from the primary activities. For the Academy, this revenue is primarily foundation payments and federal stabilization funds received in lieu of foundation payments. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenue and expenses not meeting this definition are reported as nonoperating.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Intergovernmental Revenue** - The Academy currently participates in the State Foundation Program and the Poverty Based Assistance (PBA) Program. Revenue received from these programs is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

**Tax Status** - The Academy is tax exempt under §501(c)(3) of the Internal Revenue Code.

### Note 3 - Deposits

The Academy has designated one bank for the deposit of its funds.

The Academy's deposits consist solely of a checking account at a local bank; therefore, the Academy has not adopted a formal investment policy. The Academy's cash is subject to custodial credit risk.

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. At year end, the Academy had \$295,943 in deposits, of which \$45,943 was uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 4 - Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables is as follows:

Title I	\$ 104,832
Title II - A	4,150
Mentor grant	3,484
IDEA	13,421
State aid adjustment	<u>24,227</u>
Total intergovernmental receivables	<u>\$ 150,114</u>

### Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Business-type activity - Capital assets being depreciated - Furniture, fixtures, and equipment	\$ 146,773	\$ 96,394	\$ (2,111)	\$ 241,056
Less accumulated depreciation	<u>94,545</u>	<u>29,487</u>	<u>(2,111)</u>	<u>121,921</u>
Total capital assets being depreciated - Net	<u>\$ 52,228</u>	<u>\$ 66,907</u>	<u>\$ -</u>	<u>\$ 119,135</u>

### Note 6 - Risk Management

**Property and Liability** - The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with Willis North America, Inc. for general liability, property insurance, and educational errors and omissions insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. Coverages are as follows:

Educational errors and omissions:

Per occurrence	\$ 8,000,000
Total per year	8,000,000

General liability:

Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

**Workers' Compensation** - The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

## **Note 7 - Defined Benefit Pension Plans**

### **School Employees' Retirement System**

**Plan Description** - The Academy contributes to the School Employees' Retirement System (SERS), a cost-sharing, multiple-employer 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 may be obtained by writing to the School Employees' Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - 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 healthcare benefits. For fiscal year 2010, 12.78 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 by the SERS' retirement board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,228, \$15,941, and \$11,148, respectively; 100 percent was contributed for fiscal years 2010, 2009, and 2008.

### **State Teachers Retirement System**

**Plan Description** - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

## **Note 7 - Defined Benefit Pension Plans (Continued)**

New members have a choice of three retirement plans: a defined benefit plan (DBP), a defined contribution plan (DCP), and a combined plan (CP). The DBP 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. The CP offers features of both the DCP and the DBP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2010, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$80,717, \$47,602, and \$53,541, respectively; 39 percent has been contributed for fiscal year 2010, 15 percent for fiscal year 2009, and 100 percent for fiscal year 2008. Contributions to the DCP and CP for fiscal year 2010 were \$83,332 made by the Academy and \$59,523 made by the plan members.



## **Note 8 - Postemployment Benefits**

### **School Employees' Retirement System**

**Plan Description** - The Academy participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees' Retirement System for classified retirees and their beneficiaries, the healthcare plan and a Medicare Part B plan. The healthcare plan includes hospitalization and physicians' fees through several types of plans including HMOs, PPOs, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the system based on authority granted by state statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the healthcare benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For fiscal year 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount.

Active employee members do not contribute to the Health Care Fund. Retirees and their beneficiaries are required to pay a healthcare premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$836, \$6,057, and \$5,087, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The retirement board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,381, \$1,092, and \$803, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

## **Note 8 - Postemployment Benefits (Continued)**

### **State Teachers Retirement System**

**Plan Description** - The Academy contributes to the cost-sharing multiple-employer defined benefit health plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The plan is included in the report of STRS Ohio, which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the plan and gives the retirement board authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. Active employee members do not contribute to the plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,209, \$3,662, and \$4,119, respectively; 39 percent has been contributed for fiscal year 2010, 15 percent for fiscal year 2009, and 100 percent for fiscal year 2008.

## **Note 9 - Contingencies**

**Grants** - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

### Note 10 - Purchased Service Expenses

For the year ended June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

Repairs and maintenance	\$	7,895
Legal		864
Insurance		12,599
Advertising		18,357
Dues and fees		22,766
Ohio Council of Community Schools		50,323
The Leona Group, LLC (Note 12)		407,962
Cleaning services		32,457
Utility		53,541
Other professional services		251,727
Other rentals and leases		5,731
Building lease agreements (Note 11)		<u>120,000</u>
Total purchased services	\$	<u>984,222</u>

### Note 11 - Operating Leases

The Academy entered into a lease agreement with Toledo St. Stephen Parish for a school facility with minimum required rental payments of \$10,000 per month over the period from July 1, 2005 through June 30, 2010. Payment of the minimum monthly rent installments for the months of July and August 2005 has been deferred until September 1, 2010. Additional required rent payments are detailed in the lease agreement. Payments made under the lease agreement totaled \$120,000 for the fiscal year ended June 30, 2010.

In May 2010, the Academy entered into a new lease agreement with minimum required rental payments of \$11,000 per month over the period from July 1, 2010 through June 30, 2012 and \$10,500 per month over the period from July 1, 2012 through June 30, 2015.

### Note 11 - Operating Leases (Continued)

The following is a schedule of the future minimum payments required under the facility operating lease as of June 30, 2010:

Fiscal Year Ending June 30	Amount
2011	\$ 152,000
2012	132,000
2013	126,000
2014	126,000
2015	126,000
Total minimum lease payments	<u>\$ 662,000</u>

### Note 12 - Management Agreement

The Academy entered into a five-year contract, effective August 21, 2001 through August 20, 2006, with annual renewal options, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. The Academy has since extended the contract for a period of five years through June 30, 2012. In exchange for its services, TLG receives a capitation fee of 12 percent of the per pupil expenditures and a year-end fee of 50 percent of the audited financial statement excess of revenue over expenses, if any. The Academy incurred management fees totaling \$407,962 for the year ended June 30, 2010. At June 30, 2010, contracts payable include approximately \$142,000 for the payment of management fees and approximately \$139,000 for reimbursement of subcontracted employees and other operating costs.

Terms of the contracts require TLG to provide the following:

- Implementation and administration of the educational program
- Management of all personnel functions, including professional development
- Operation of the school building and the installation of technology integral to school design
- All aspects of the business administration of the Academy
- The provision of food service for the Academy
- Any other function necessary or expedient for the administration of the Academy

## **Note 12 - Management Agreement (Continued)**

The Academy may terminate this agreement with cause prior to the end of the term in the event that The Leona Group, LLC should fail to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from the Academy.

The Leona Group, LLC may terminate this agreement with cause prior to the end of the specified term in the event the Academy fails to remedy a material breach within a period reasonable under the circumstances, but not less than 60 days after notice from The Leona Group, LLC.

In the event this agreement is terminated by either party prior to the end of the specified term, the termination will not become effective until the end of the school year following the notice of termination and The Leona Group, LLC shall provide the Academy reasonable assistance for up to 90 days to assist in the transition to a regular school program.

For the year ended June 30, 2010, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Direct expenses:	
Salaries	\$ 792,829
Fringe benefits	336,987
Professional and technical services	332,363
Other direct costs	<u>12,145</u>
Total expenses	<u>\$ 1,474,324</u>

# **Eagle Academy**

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**Federal Awards  
Supplemental Information  
June 30, 2010**

# Eagle Academy

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## Independent Auditor's Report

To the Board of Directors  
Eagle Academy

We have audited the basic financial statements of Eagle Academy (the "Academy") as of and for the year ended June 30, 2010 and have issued our report thereon dated November 26, 2010. Those basic financial statements are the responsibility of the management of Eagle Academy. Our responsibility is to express an opinion on these basic 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Eagle Academy taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 26, 2010



Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Eagle Academy

We have audited the financial statements of Eagle Academy as of and for the year ended June 30, 2010 and have issued our report thereon dated November 26, 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Eagle Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Eagle Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors  
Eagle Academy

This report is intended solely for the information and use of management, the board of directors, others within the Academy, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Morse, PLLC*

November 26, 2010

Report on Compliance with Requirements Applicable to Each Major Program and  
on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors  
Eagle Academy

**Compliance**

We have audited the compliance of Eagle Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of each of its major federal programs for the year ended June 30, 2010. The major federal programs of Eagle Academy are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Eagle Academy's management. Our responsibility is to express an opinion on Eagle Academy's compliance based on our audit.

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

In our opinion, Eagle Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2010-01.

To the Board of Directors  
Eagle Academy

### **Internal Control Over Compliance**

The management of Eagle Academy 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 Eagle Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, as described in the accompanying schedule of findings and questioned costs as Finding 2010-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Eagle Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Eagle Academy's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the board of directors, others within the Academy, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 26, 2010

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2009	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
<b>Clusters:</b>						
Child Nutrition Cluster -						
U.S. Department of Agriculture - Passed through the						
Ohio Department of Education - Cash Assistance:						
National School Breakfast Program	10.553	\$ 29,006	\$ 2,499	\$ 31,505	\$ 29,006	\$ -
National School Lunch Program	10.555	85,139	7,530	92,669	85,139	-
Total Child Nutrition Cluster		114,145	10,029	124,174	114,145	-
Special Education Cluster -						
U.S. Department of Education - Passed through the						
Ohio Department of Education - IDEA:						
IDEA, Part B	84.027	31,599	4,315	30,993	31,599	4,921
ARRA-IDEA, Part B	84.391	36,939	-	28,439	36,939	8,500
Total Special Education Cluster		68,538	4,315	59,432	68,538	13,421
Title I, Part A Cluster -						
U.S. Department of Education - Passed through the Ohio						
Department of Education:						
Title I, Part A	84.010	244,172	35,036	162,445	172,402	44,993
Title I, ARRA	84.389	172,791	-	24,709	84,548	59,839
Total Title I, Part A Cluster		416,963	35,036	187,154	256,950	104,832

# Eagle Academy

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2009	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Clusters (Continued):						
Education Technology State Grants Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - Education Technology State Grants (Enhancing Education through Technology Program)	84.318	\$ 3,194	\$ -	\$ 149	\$ 149	\$ -
School Improvement Grants Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - School Improvement Grant	84.377	60,000	10,790	10,790	-	-
State Fiscal Stabilization Fund Cluster - U.S. Department of Education - Passed through the Ohio Department of Education - ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act (Education Stabilization Fund)	84.394	<u>114,376</u>	<u>-</u>	<u>114,376</u>	<u>114,376</u>	<u>-</u>
Total clusters		777,216	60,170	496,075	554,158	118,253
Other federal awards:						
U.S. Department of Education: Passed through Lake Erie Academy - Safe and Drug-free Schools - Community Service Grants - Project number Q184B070383	84.184B	78,777	6,211	81,504	78,777	3,484

See Note to Schedule of Expenditures  
of Federal Awards.

# Eagle Academy

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued Revenue at July 1, 2009	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2010
Other federal awards (Continued):						
U.S. Department of Education (Continued):						
Passed through the Ohio Department of Education:						
Improving Teacher Quality	84.367	\$ 10,238	\$ 758	\$ 9,266	\$ 12,658	\$ 4,150
Title IV, Part A - Safe and Drug-free Schools State and Communities	84.186A	3,267	-	166	166	-
U.S. Department of Agriculture - Passed through the Ohio Department of Education - CNP Fresh Fruit and Vegetable Program						
	10.582	<u>9,728</u>	<u>-</u>	<u>9,390</u>	<u>9,390</u>	<u>-</u>
Total noncluster programs passed through the Ohio Department of Education		<u>23,233</u>	<u>758</u>	<u>18,822</u>	<u>22,214</u>	<u>4,150</u>
Total federal awards		<u><b>\$ 879,226</b></u>	<u><b>\$ 67,139</b></u>	<u><b>\$ 596,401</b></u>	<u><b>\$ 655,149</b></u>	<u><b>\$ 125,887</b></u>

# Eagle Academy

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010**

### **Note - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Eagle Academy under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position or changes in net assets of the Academy. Pass-through entity identifying numbers are presented where available.



# Eagle Academy

## Schedule of Findings and Questioned Costs Year Ended June 30, 2010

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Title I Cluster:
84.010	Title I, Part A
84.389	ARRA - Title I Grants to Educational Agencies
84.394	State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# Eagle Academy

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
2010-01	<p><b>Program Name</b> - Title I Cluster: CFDA #84.010 - Title I, Part A CFDA #84.389 - Title I, ARRA</p> <p><b>Pass-through Entity</b> - U.S. Department of Education</p> <p><b>Finding Type</b> - Material noncompliance, significant deficiency</p> <p><b>Criteria</b> - Eagle Academy (the "Academy") should periodically conduct a physical inventory of equipment acquired under federal awards that is reconciled to the capital assets records.</p> <p><b>Condition</b> - The Academy has not conducted a physical inventory reconciled to the capital assets records.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The Academy has not conducted a full physical inventory of its capital assets.</p> <p><b>Cause and Effect</b> - Due to time constraints, the Academy has not performed a full physical inventory of its capital assets. Lack of a physical inventory results in a possibility of actual capital assets not agreeing to the capital assets records.</p> <p><b>Recommendation</b> - The Academy should implement a policy to perform physical inventories periodically and reconcile the physical inventory results to capital assets records.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Time constraints have hindered the Academy's ability to perform a physical inventory. The Academy is desirous of a current full physical inventory and will make every effort to perform an inventory in 2010-2011.</p>



**Mary Taylor, CPA**  
Auditor of State

**EAGLE ACADEMY**

**LUCAS 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 18, 2011**