



**Auditor of State  
Betty Montgomery**



EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the Balance Sheet of Eagle Heights Academy, Mahoning County, (the School), as of June 30, 2002, and the related Statement of Revenues, Expenses and Changes in Retained Earnings and the Statement of Cash Flows as of and for the year ended June 30, 2002. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements referred to above present fairly, in all material respects, the financial position of Eagle Heights Academy, Mahoning County as of June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2003 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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Our audit was performed for the purpose of forming an opinion on the financial statements of the School taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

April 21, 2003

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2002**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 101,972
Receivables:	
Grants	108,463
Intergovernmental	1,015,890
Other	<u>34,249</u>
TOTAL CURRENT ASSETS	1,260,574

**NONCURRENT ASSETS**

Fixed assets, net of accumulated depreciation	<u>2,706,004</u>
TOTAL ASSETS	<u><u>\$ 3,966,578</u></u>

**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 8,518
Accrued expenses	378,659
Notes payable, current portion	<u>1,163,000</u>
TOTAL CURRENT LIABILITIES	1,550,177
TOTAL LIABILITIES	1,550,177

**FUND EQUITY**

Retained earnings	<u>2,416,401</u>
TOTAL FUND EQUITY	<u>2,416,401</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 3,966,578</u></u>

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2002**

**OPERATING REVENUES**

Foundation payments	\$ 4,745,113
Disadvantaged pupil impact aid	742,760
Other	<u>21,857</u>
TOTAL OPERATING REVENUES	5,509,730

**OPERATING EXPENSES**

Salaries and wages	3,656,023
Fringe benefits	912,317
Purchased services	1,119,727
Materials and supplies	308,567
Depreciation	296,905
Other	<u>41,578</u>
TOTAL OPERATING EXPENSES	<u>6,335,118</u>

OPERATING LOSS (825,388)

**NON-OPERATING REVENUES (EXPENSES)**

Federal and State grant revenue	993,150
Interest earnings	10,751
Interest expense	<u>(110,495)</u>

NET NON-OPERATING REVENUES 893,406

NET INCOME 68,018

RETAINED EARNINGS AT BEGINNING OF YEAR 2,348,383

RETAINED EARNINGS AT END OF YEAR \$ 2,416,401

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from State of Ohio	\$	4,872,755
Cash payments to suppliers for goods and services		(1,667,812)
Cash payments to employees for services and benefits		(4,128,971)
Other operating revenue		33,574
		33,574

Net cash used for operating activities (890,454)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from State of Ohio - Federal and State grant revenue 1,535,044

Net cash provided by noncapital financing activities 1,535,044

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

Cash payments for capital acquisitions		(833,001)
Cash received from notes payable		656,903
Cash payments on notes payable		(702,869)
Interest payments		(110,495)
		(110,495)

Net cash used for capital and related financing activities (989,462)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments 10,751

NET INCREASE IN CASH AND CASH EQUIVALENTS (334,121)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 436,093

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 101,972

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED FOR OPERATING ACTIVITIES**

Operating Loss \$ (825,388)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS**

**TO NET CASH USED FOR OPERATING ACTIVITIES**

Depreciation 296,905

Changes in assets and liabilities:

(Decrease) in accounts payable (276,866)

Increase in intergovernmental receivable (569,149)

(Increase) in other receivable (25,917)

Increase in accrued expenses 152,114

Increase in notes payable 357,847

Total adjustments (65,066)

Net cash used for operating activities \$ (890,454)

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

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**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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

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

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing July 1, 1998. The School operates under a self-appointing six-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by 39 non-certified and 67 certified full-time teaching personnel who provide services to 862 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. BASIS OF PRESENTATION**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**C. BUDGETARY PROCESS**

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

The School's Board adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The School Principal and Business Manager are responsible for ensuring that purchases are made within these limits.

**D. CASH AND CASH EQUIVALENTS**

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

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

**E. FIXED ASSETS AND DEPRECIATION**

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

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

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

**F. INTERGOVERNMENTAL REVENUES**

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

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in the discovery of an underpayment to the School in the amount of \$523,183. This amount is included as an intergovernmental receivable on the balance sheet.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**F. INTERGOVERNMENTAL REVENUES (Continued)**

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 School must provide local resources to be used for a specified purpose, and expenditure requirements in which resources are provided to the School on a reimbursement basis.

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

**G. ACCRUED EXPENSES**

Payroll and withholdings (\$378,659) which are due but unpaid as of June 30, 2002 are reported as Accrued Expenses in the accompanying Balance Sheet.

**H. USE OF ESTIMATES**

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

**I. FEDERAL TAX EXEMPT STATUS**

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

**3. DEPOSITS**

Deposits: The carrying value of the School's deposits totaled (\$163,028), and the bank balance totaled \$53,619, all of which was covered by federal depository insurance.

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the School or its agent in the School's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School's name.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**3. DEPOSITS (Continued)**

Investments of the School as of June 30, 2002 were as follows:

<u>Investments</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Sweep account	<u>\$265,000</u>	<u>\$265,000</u>	<u>\$265,000</u>

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$101,972	\$ 0
Investments:		
Sweep Account	<u>(265,000)</u>	<u>265,000</u>
GASB Statement No. 3	<u>\$(163,028)</u>	<u>\$265,000</u>

**4. RECEIVABLES**

Receivables of the School at June 30, 2002 consisted of federal Title program grants of \$108,463 and \$492,707 of foundation funding due from the Ohio Department of Education. All receivables are considered collectible in full, due to the stable condition of the programs.

The School has recognized within its "Intergovernmental receivable" the amount of \$523,183 that is to be funded to the School by the Ohio Department of Education based on the difference in the amount the School actually received versus the amount earned through student full-time equivalent (FTE) enrollment as determined at the end of the year. A receivable reflects that the School was funded on a lower estimated enrollment figure throughout the year than what the FTE enrollment figure was calculated to be at year end.

**5. NOTES PAYABLE**

At June 30, 2002, the School had the following note outstanding:

<u>National City Bank Note</u>	
Principal Outstanding	\$1,163,000
Interest Rate	4.75%

This Note was issued for the purpose of making improvements to the existing school building. Payments of principal and interest are due monthly with the balance of the note due on June 29, 2003.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**6. FIXED ASSETS AND DEPRECIATION**

A summary of the School's fixed assets at June 30, 2002 follows:

Leasehold Improvements	\$ 2,029,028
Furniture and Fixtures	305,216
Textbooks	390,856
Equipment	<u>778,143</u>
Subtotal	3,503,243
Less: Accumulated Depreciation	<u>(797,239)</u>
Net Fixed Assets	<u><u>2,706,004</u></u>

From July 1, 2001 through February 28, 2002, the School was leasing the building being used. The School purchased this building, effective March 1, 2002, for \$200,000.

**7. PURCHASED SERVICES**

Purchased Services include the following:

Occupancy Costs	\$ 655,792
Professional Services	292,838
Insurance	47,458
Advertising and Promotion	15,350
Other	<u>108,289</u>
Total	<u><u>\$ 1,119,727</u></u>

**8. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School contracted with Westfield Insurance Company for property and general liability insurance. Property coverage carries a \$1,000 deductible and has a \$350,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. General Star National Insurance Companies provides umbrella liability coverage of \$10,000,000 per occurrence.

Director and officer coverage is provided by National Union Fire Insurance Company with a \$1,000,000 aggregate limit and no deductible.

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**9. OTHER EMPLOYEE BENEFITS**

**Employee Medical, Dental, and Vision Benefits** – The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 95% of the monthly premium for family and single employees, respectively. The employee is responsible for the remaining percentage. For fiscal year 2002, the School's and the employees' premiums were \$490.70 and \$25.82 for family coverage and \$193.08 and \$10.16 for single coverage per employee per month, respectively.

The School has also contracted with private carriers to provide dental and vision insurance. The employee is responsible for all of the monthly premium.

**Insurance Benefits** – The School provides life insurance to all employees through a private carrier. Coverage in the amount of \$15,000 is provided for all certified and non-certified employees. The School pays premiums for this coverage at a rate of \$2.00 per employee per month.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employee Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute 14 percent; for fiscal year 2002, 5.46 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS' Retirement Board within the rates allowed by Ohio statute. The adequacy of the contribution rates is determined annually. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2002, 2001, and 2000 were \$71,581, \$39,671, and \$43,483, respectively; 93 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The amount of \$ 5,461, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within accrued expenses.

**B. State Teachers Retirement System**

The School also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2002, 2001, and 2000 were \$233,171, \$163,031, and \$85,925, respectively; 92 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The amount of \$20,023, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within accrued expenses.

**11. POST EMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and contribution rates are established by the Systems based on authority granted by State statute. Both Systems are on pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School, this amount equaled \$110,449 during the 2002 fiscal year.

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

For fiscal year 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School, the amount to fund health care benefits, including surcharge, equaled \$131,820 during the 2002 fiscal year.

**12. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**13. PENDING LITIGATION**

A suit was filed in Franklin County Common Pleas court on May 14, 2001, alleging that Ohio's Community (i.e. Charter) Schools program violates the State constitution and State law. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002  
(Cash Basis)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	-	10.550		\$12,769		\$15,495
National School Breakfast Program	05-PU	10.553	\$68,060		\$68,060	
National School Lunch Program	03-PU,04-PU	10.555	235,344		235,344	
Total U.S. Department of Agriculture - Nutrition Cluster			303,404	12,769	303,404	15,495
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	978,225		967,218	
Special Education Cluster: Special Education Grants to States (IDEA Part B)	6B-SX	84.027	0		16,804	
Drug-Free Schools Grant	DR-S1	84.186	10,318		1,661	
Eisenhower Professional Development State Grant	MS-S1	84.281	14,010		2,206	
Innovative Educational Program Strategies	C2-S1	84.298	7,208		6,449	
Class Size Reduction Subsidy	CR-S1	84.340	126,208		63,940	
Total U. S. Department of Education			1,135,969		1,058,278	
<b>Totals</b>			<b>\$1,439,373</b>	<b>\$12,769</b>	<b>\$1,361,682</b>	<b>\$15,495</b>

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the financial statements of Eagle Heights Academy, Mahoning County, (the School), as of and for the year ended June 30, 2002, and have issued our report thereon dated April 21, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether Eagle Heights Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Eagle Heights Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Eagle Heights Academy in a separate letter dated April 21, 2003.

Eagle Heights Academy  
Mahoning County  
Independent Accountants' Report on Compliance and  
on Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the Audit Committee, the Board of Trustees, management, and 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.

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

**Betty Montgomery**  
Auditor of State

April 21, 2003



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Trustees:

**Compliance**

We have audited the compliance of Eagle Heights Academy, Mahoning County, (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Eagle Heights 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 the School's compliance with those requirements.

In our opinion, Eagle Heights Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

### **Internal Control Over Compliance**

The management of Eagle Heights 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 the School'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the School in a separate letter dated April 21, 2003.

This report is intended for the information and use of the Audit Committee, the Board of Trustees, management, and 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.



**Betty Montgomery**  
Auditor of State

April 21, 2003

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	NUTRITION CLUSTER - CFDA #10.550-10.555 CLASS SIZE REDUCTION - CFDA #84.340
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	YES

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	Not Applicable
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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Finding Number	Not Applicable
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None

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
JUNE 30, 2002**

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

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid.</b>
2001-11150-001	Eagle Heights Academy had notes that matured later than the end of the fiscal year in violation of Ohio Revised Code Section 3314.08 (J).	Yes	



**Auditor of State  
Betty Montgomery**

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800-282-0370

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**EAGLE HEIGHTS ACADEMY**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 24, 2003**