



**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 accompanying financial statements of Eagle Heights Academy, Mahoning County, (the School), as of and for the year ended June 30, 2004 which comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eagle Heights Academy, Mahoning County as of June 30, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*", and GASB Statement No. 38 "*Certain Financial Statement Note Disclosure*".

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2006, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

May 17, 2006

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
Unaudited**

As management of Eagle Heights Academy (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's performance.

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

**Financial Highlights**

- The Total Net Assets increased by \$128,438, an increase of 6% from 2003. The major cause for this increase was an increase in the amount of State Aid received in 2004. The increase of \$1,118,565 was due to a increase in enrollment and increase in the State funding formula.
- Current Assets increased by \$106,364, an increase of 12% from 2003. The major reason for the increase was an increase in the cash balance of \$301,110 as compared to the June 30, 2003 cash balance.

**Statement of Net Assets**

Table 1 provides a summary of the School's net assets for fiscal year 2004 and fiscal year 2003.

(Table 1)  
**Net Assets**

|                         | <u><b>2004</b></u>  | <u><b>2003</b></u>  |
|-------------------------|---------------------|---------------------|
| <b>Assets</b>           |                     |                     |
| Current Assets          | \$ 1,027,050        | \$ 920,686          |
| Capital Assets, net     | <u>2,576,279</u>    | <u>2,567,947</u>    |
| Total Assets            | <u>\$ 3,603,329</u> | <u>\$ 3,488,633</u> |
| <br>                    |                     |                     |
| <b>Liabilities</b>      |                     |                     |
| Current Liabilities     | \$ 896,727          | \$ 409,463          |
| Non-current Liabilities | <u>331,789</u>      | <u>832,795</u>      |
| Total Liabilities       | <u>\$ 1,228,516</u> | <u>\$ 1,242,258</u> |
| <br>                    |                     |                     |
| <b>Net Assets</b>       |                     |                     |
| Invested in Capital     | \$ 2,576,279        | \$ 2,567,947        |
| Unrestricted            | <u>(201,466)</u>    | <u>(321,572)</u>    |
| Total Net Assets        | <u>\$ 2,374,813</u> | <u>\$ 2,246,375</u> |

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
Unaudited**

Total Net Assets increased by \$128,438 from 2003. Again, this is due to an increase in the State funding formula and an increase in student enrollment. The cash and cash equivalents increased for the School from 2003. Receivables for the School decreased slightly from 2003. The decrease was a result of a collection of a higher percentage of the total grant funds in the 2004 fiscal year.

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

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenues and expenses.

(Table 2)

**Change in Net Assets**

|                               | <u><b>2004</b></u> | <u><b>2003</b></u>  |
|-------------------------------|--------------------|---------------------|
| <b>Operating Revenues</b>     |                    |                     |
| State Aid                     | \$ 5,826,119       | \$ 4,707,554        |
| Other                         | 45,569             | 123,954             |
| <br>                          |                    |                     |
|                               | <u><b>2004</b></u> | <u><b>2003</b></u>  |
| <b>Non-Operating Revenues</b> |                    |                     |
| Grants                        | 1,400,278          | 1,535,855           |
| Interest                      | 1,407              | 6,172               |
| Contributions                 | <u>42,209</u>      | <u>9,377</u>        |
| Total Revenues                | 7,315,582          | 6,382,912           |
| <br>                          |                    |                     |
| <b>Operating Expenses</b>     |                    |                     |
| Salaries and wages            | 4,107,797          | 3,718,142           |
| Fringe benefits               | 1,146,109          | 1,023,921           |
| Purchased services            | 833,320            | 846,229             |
| Materials and supplies        | 714,320            | 614,176             |
| Depreciation                  | 223,998            | 269,277             |
| Other                         | 125,868            | 35,928              |
| Interest expense              | <u>35,732</u>      | <u>45,264</u>       |
| Total Expenses                | <u>7,187,144</u>   | <u>6,552,937</u>    |
| Change in Net Assets          | <u>\$ 128,438</u>  | <u>\$ (170,025)</u> |

The increase in State aid from 2003 was due to an increase in enrollment and an increase in the funding formula used by the State of Ohio. The most significant expense for the School is salaries and wages and benefits. The amount spent in those areas increased by \$511,843 from 2003. The increase was due to a general wage increase for staff as well as additional staff employed by the School.



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**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2004**

**ASSETS**

**CURRENT ASSETS**

|                             |                  |
|-----------------------------|------------------|
| Cash and cash equivalents   | \$ 382,235       |
| Receivables:                |                  |
| Grants                      | 550,555          |
| Intergovernmental           | <u>94,260</u>    |
| <b>TOTAL CURRENT ASSETS</b> | <b>1,027,050</b> |

**NON-CURRENT ASSETS**

|   |                  |
|---|------------------|
| Capital assets, net of accumulated depreciation | <u>2,576,279</u> |
|---|------------------|

|                     |                                   |
|---------------------|-----------------------------------|
| <b>TOTAL ASSETS</b> | <b><u><u>\$ 3,603,329</u></u></b> |
|---------------------|-----------------------------------|

**LIABILITIES**

**CURRENT LIABILITIES**

|                                  |                |
|----------------------------------|----------------|
| Accounts payable                 | \$ 65,190      |
| Accrued expenses                 | 515,773        |
| Leases payable, current portion  | 28,580         |
| Notes payable, current portion   | <u>287,184</u> |
| <b>TOTAL CURRENT LIABILITIES</b> | <b>896,727</b> |

**LONG-TERM LIABILITIES**

|  |               |
|--|---------------|
| Notes payable, net of current portion  | \$ 245,043    |
| Leases payable, net of current portion | <u>86,746</u> |

|                                    |                |
|------------------------------------|----------------|
| <b>TOTAL LONG-TERM LIABILITIES</b> | <b>331,789</b> |
|------------------------------------|----------------|

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>TOTAL LIABILITIES</b> | <b><u><u>\$ 1,228,516</u></u></b> |
|--------------------------|-----------------------------------|

**NET ASSETS**

|                            |                  |
|----------------------------|------------------|
| Invested in Capital Assets | 2,576,279        |
| Unrestricted Net Assets    | <u>(201,466)</u> |

|                         |                                   |
|-------------------------|-----------------------------------|
| <b>TOTAL NET ASSETS</b> | <b><u><u>\$ 2,374,813</u></u></b> |
|-------------------------|-----------------------------------|

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2004**

**OPERATING REVENUES**

|                                 |                  |
|---------------------------------|------------------|
| Foundation payments             | \$ 5,097,459     |
| Disadvantaged pupil impact aid  | 728,660          |
| Other                           | <u>45,569</u>    |
| <b>TOTAL OPERATING REVENUES</b> | <b>5,871,688</b> |

**OPERATING EXPENSES**

|                                 |                         |
|---------------------------------|-------------------------|
| Salaries and wages              | 4,107,797               |
| Fringe benefits                 | 1,146,109               |
| Purchased services              | 833,320                 |
| Materials and supplies          | 714,320                 |
| Depreciation                    | 223,998                 |
| Other                           | <u>125,868</u>          |
| <b>TOTAL OPERATING EXPENSES</b> | <b><u>7,151,412</u></b> |

OPERATING LOSS (1,279,724)

**NON-OPERATING REVENUES (EXPENSES)**

|                                   |                         |
|-----------------------------------|-------------------------|
| Federal grant revenue             | 1,400,278               |
| Contributions                     | 42,209                  |
| Interest earnings                 | 1,407                   |
| Interest expense                  | <u>(35,732)</u>         |
| <b>NET NON-OPERATING REVENUES</b> | <b><u>1,408,162</u></b> |

CHANGE IN NET ASSETS 128,438

NET ASSETS, JULY 1, 2003 2,246,375

NET ASSETS, JUNE 30, 2004 \$ 2,374,813

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |                |
|--|----------------|
| Cash received from State of Ohio                     | \$ 5,799,027   |
| Cash payments to suppliers for goods and services    | (1,548,662)    |
| Cash payments to employees for services and benefits | (5,145,777)    |
| Other operating revenue                              | <u>234,514</u> |
| Net cash used for operating activities               | (660,898)      |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

|   |                  |
|---|------------------|
| Cash received from Contributions                        | 42,209           |
| Cash received from State of Ohio - Federal Grant Monies | <u>1,433,172</u> |
| Net cash provided by noncapital financing activities    | 1,475,381        |

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

|  |                 |
|--|-----------------|
| Cash payments for capital acquisitions                     | (184,407)       |
| Cash received from notes payable                           | 325,000         |
| Cash payments on notes payable                             | (628,987)       |
| Interest payments  | <u>(26,385)</u> |
| Net cash used for capital and related financing activities | (514,779)       |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                         |              |
|-------------------------|--------------|
| Interest on investments | <u>1,407</u> |
|-------------------------|--------------|

|  |                          |
|--|--------------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS      | 301,111                  |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>81,124</u>            |
| CASH AND CASH EQUIVALENTS AT END OF YEAR       | <u><u>\$ 382,235</u></u> |

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2004  
(Continued)**

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

|                |                |
|----------------|----------------|
| Operating Loss | \$ (1,279,724) |
|----------------|----------------|

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

|  |                     |
|--|---------------------|
| Depreciation                             | 223,998             |
| Changes in assets and liabilities:       |                     |
| Decrease in Grants Receivable            | 221,839             |
| Increase in Intergovernmental Receivable | (27,093)            |
| Increase in Accounts Payable             | 48,765              |
| Increase in Accrued Expenses             | 142,597             |
| Increase in Leases Payable               | 28,580              |
| Decrease in Intergovernmental Payable    | <u>(19,860)</u>     |
| Total adjustments                        | <u>618,826</u>      |
| Net cash used for operating activities   | <u>\$ (660,898)</u> |

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

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**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

The School was approved for operation under contract with the Ohio State Board of Education (Sponsor) for a period of five years commencing July 1, 1998 and renewed for two years commencing July 1, 2003. The School operates under a self-appointing six-member Board of Trustees (the Board). The School's Code of Regulations specify that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional/support facility staffed by 55 non-certified and 75 certified full-time teaching personnel who provide services to 936 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. Also, the School implemented GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The more significant of the School's accounting policies are described below.

**A. BASIS OF PRESENTATION**

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

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

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**C. BUDGETARY PROCESS**

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

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

**D. CASH AND CASH EQUIVALENTS**

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

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

**E. CAPITAL ASSETS AND DEPRECIATION**

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

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

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

**F. INTERGOVERNMENTAL REVENUES**

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

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in the discovery of an underpayment to the school in the amount of \$2,525.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when the use is first permitted, matching requirements in which the School must provide local resources to be used for a specified purpose, and expenditure requirements in which resources are provided to the School on a reimbursement basis.



**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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 (\$515,773), which are due but unpaid as of June 30, 2004, are reported as Accrued Expenses in the accompanying Balance Sheet.

**H. USE OF ESTIMATES**

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

**I. FEDERAL TAX EXEMPT STATUS**

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**Changes in Accounting Principles**

For fiscal year 2004, the School has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB State No. 34 creates new basic financial statements for reporting on the School's financial activities. The basic financial statements include government-wide financial statements prepared on the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

The implementation of these statements had no effect on net assets at June 30, 2003.

**4. DEPOSITS**

Deposits: The carrying value of the School's deposits totaled \$5,235, and the bank balance totaled \$100,739, of which \$100,000 was covered by federal depository insurance. The remaining balance of \$739 was uninsured and uncollateralized.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. DEPOSITS (Continued)**

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.

Investments of the School as of June 30, 2004 were as follows:

| <u>Investments</u> | <u>Category 3</u> | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|--------------------|-------------------|----------------------------|-----------------------|
| Sweep account      | <u>\$377,000</u>  | <u>\$377,000</u>           | <u>\$377,000</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<br/>Equivalent/Deposits</u> | <u>Investments</u> |
|----------------------|--|--------------------|
| GASB Statement No. 9 | \$382,235                                    | \$ -               |
| Investments:         |  |                    |
| Sweep Account        | <u>(377,000)</u>                             | <u>377,000</u>     |
| GASB Statement No. 3 | <u>\$ 5,235</u>                              | <u>\$377,000</u>   |

**5. RECEIVABLES**

Receivables of the School at June 30, 2004 consisted of federal Title program grants of \$550,555 and \$94,260 of foundation funding due from the Ohio Department of Education. All receivables are considered collectible in full, due to the stable condition of the programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**6. NOTES PAYABLE**

At June 30, 2004, the School had the following note outstanding:

|                                |           |
|--------------------------------|-----------|
| <u>National City Bank Note</u> |           |
| Principal Outstanding          | \$532,228 |
| Interest Rate                  | 4.60%     |

This Note was issued for the purpose of making improvements to the existing school building and is collateralized by a blanket lien on all business assets. Payments of principal and interest are due monthly.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. NOTES PAYABLE (CONTINUED)**

The amounts required to amortize the existing note obligation is as follows:  
National City Bank Note

| Year Ending    | <u>Amount</u>    |
|----------------|------------------|
| <u>June 30</u> |                  |
| 2005           | \$305,662        |
| 2006           | <u>\$250,081</u> |
| Total          | <u>\$555,743</u> |

**7. CAPITAL ASSETS AND DEPRECIATION**

A summary of the School's capital assets at June 30, 2004, follows:

|                                |                     |
|--------------------------------|---------------------|
| Leasehold Improvements         | \$ 1,829,028        |
| Building                       | 200,000             |
| Furniture and Fixtures         | 355,147             |
| Textbooks                      | 493,198             |
| Equipment                      | <u>989,420</u>      |
| Total Capital Assets           | <u>\$ 3,866,793</u> |
| Less: Accumulated Depreciation | <u>(1,290,514)</u>  |
| Net Capital Assets             | <u>\$ 2,576,279</u> |

**8. PURCHASED SERVICES**

Purchased Services include the following:

|                         |                   |
|-------------------------|-------------------|
| Occupancy Costs         | \$ 308,878        |
| Professional Services   | 278,187           |
| Insurance               | 58,400            |
| Advertising & Promotion | 19,035            |
| Computer Maintenance    | 128,511           |
| Other                   | <u>40,309</u>     |
|                         | <u>\$ 833,320</u> |

**9. CAPITAL LEASES**

During the fiscal year 2004, the School entered into two lease agreements with Key Municipal Finance for electronic white boards. The School's lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases". The electronic white boards have been capitalized in the amount of \$139,890, the present value of the minimum lease payments at the inception of the lease. The book value as of June 30, 2004 was \$115,326. The following is a schedule of the future long-term minimum lease payments required on the capital leases and the present value of the minimum lease payments are as follows:

| Year Ending                                    | <u>Amount</u>    |
|--|------------------|
| <u>June 30</u>                                 |                  |
| 2005   | \$28,580         |
| 2006   | 28,580           |
| 2007   | 28,580           |
| 2008   | 28,580           |
| 2009   | <u>1,006</u>     |
| Total future minimum lease payments            | \$115,326        |
| Less: amount representing interest             | <u>(17,295)</u>  |
| Present value of future minimum lease payments | <u>\$ 98,031</u> |

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**10. 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 2004, the School contracted with Indiana 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, as well as aggregate and excess 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.

**11. 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 2004, 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. As with medical benefit premiums, the School pays 0% of the monthly premium for single and family employees, respectively. The employee is responsible for all of the monthly premium. The employees’ premiums for dental and vision were \$62.91 for family coverage and \$23.57 for single coverage per employee per month, respectively.

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

**12. 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). SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent; for fiscal year 2004, 9.09 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 years ended June 30, 2004, 2003, and 2002 were \$109,455, \$13,755, and \$71,581, respectively; 93 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$8,127 representing the unpaid contribution for fiscal year 2004 is recorded as a liability within accrued expenses.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

**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.

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$419,497, \$332,526, and \$233,171 respectively; 89 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$8,561 made by the School and \$14,429 made by the plan members. \$46,454 representing the unpaid contribution for fiscal year 2004 is recorded as a liability within accrued expenses.

**13. 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.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**13. POST EMPLOYMENT BENEFITS – (Continued)**

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 1 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 \$4,828 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

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

For fiscal year 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$24,500. For the School, the amount to fund health care benefits, including surcharge, equaled \$8,878 during the 2004 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the School, the amount to fund health care benefits, including surcharge, equaled \$14,022 during the 2004 fiscal year.

**14. CONTINGENCIES**

**A. 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 laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. No oral argument has been set to date. The effect of this suit, if any, on the School is not presently determinable.

**B. Grants**

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2004.

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2004**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br><u>Program Title</u> | <u>Pass Through<br/>Entity<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Receipts</u>           | <u>Non-Cash<br/>Receipts</u> | <u>Disburse-<br/>ments</u> | <u>Non-Cash<br/>Disburse-<br/>ments</u> |
|---|---|------------------------------------|---------------------------|------------------------------|----------------------------|---|
| <b>UNITED STATES DEPARTMENT<br/>OF AGRICULTURE</b>                            |   |                                    |                           |                              |                            |   |
| <i>Passed Through Ohio Department of Education:</i>                           |   |                                    |                           |                              |                            |   |
| Nutrition Cluster:  |   |                                    |                           |                              |                            |   |
| Food Donation   |   | 10.550                             | -                         | \$18,478                     | -                          | \$18,478                                |
| School Breakfast Program  | 05-PU                                     | 10.553                             | \$89,879                  | -                            | \$89,879                   | -                                       |
| National School Lunch Program   | 03-PU, 04-PU                              | 10.555                             | 271,066                   |                              | 271,066                    |   |
| Summer Food Service Program<br>For Children                                   |   | 10.559                             | <u>4,893</u>              | -                            | <u>4,893</u>               | -                                       |
| Total Department of Agriculture - Nutrition Cluster                           |   |                                    | <u>365,838</u>            | <u>18,478</u>                | <u>365,838</u>             | <u>18,478</u>                           |
| <b>UNITED STATES DEPARTMENT<br/>OF EDUCATION</b>                              |   |                                    |                           |                              |                            |   |
| <i>Passed Through Ohio Department of Education:</i>                           |   |                                    |                           |                              |                            |   |
| Special Education Cluster:  |   |                                    |                           |                              |                            |   |
| Special Education Grants to States  | 6B-SF                                     | 84.027                             | 103,807                   | -                            | 89,463                     | -                                       |
| Title I   | C1-S1                                     | 84.010                             | 961,728                   | -                            | 837,831                    | -                                       |
| Safe and Drug Free Schools<br>and Communities                                 | DR-S1                                     | 84.186                             | 12,783                    | -                            | 11,247                     | -                                       |
| State Grants for Innovative Programs  | C2-S1                                     | 84.298                             | 1,276                     | -                            | 5,818                      | -                                       |
| Education Technology State Grants   | G2-S4                                     | 84.318                             | 34,993                    | -                            | 36,867                     | -                                       |
| Improving Teacher Quality   | TR-S1                                     | 84.367                             | <u>79,682</u>             | -                            | <u>84,181</u>              | -                                       |
| Total Department of Education   |   |                                    | <u>1,194,269</u>          | <u>0</u>                     | <u>1,065,407</u>           | <u>0</u>                                |
| <b>Totals</b>   |   |                                    | <u><b>\$1,560,107</b></u> | <u><b>\$18,478</b></u>       | <u><b>\$1,431,245</b></u>  | <u><b>\$18,478</b></u>                  |

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

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

Eagle Heights Academy  
Mahoning County  
1812 Oak Hill Avenue  
Youngstown, Ohio 44507

To the Governing Board:

We have audited the financial statements of Eagle Heights Academy (the School) as of and for the year ended June 30, 2004, which comprise the School's basic financial statements and have issued our report thereon dated May 17, 2006, wherein we noted the School adopted Governmental Accounting Standards Board (GASB) Statements No. 34, 37, and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the School's management dated May 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

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

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

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

**Betty Montgomery**  
Auditor of State

May 17, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

#### Compliance

We have audited the compliance of Eagle Heights Academy, (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, Eagle Heights Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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

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

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

**Betty Montgomery**  
Auditor of State

May 17, 2006

**EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |   |
|---------------------|--|---|
| <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)(ii)</i>   | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | Yes   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance 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 #10.550-10.553-10.555-10.559 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs  | Type A: > \$ 300,000<br>Type B: all others            |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?  | Yes   |

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

**FINDING NUMBER 2004-001**

**Reportable Condition – Payroll Reconciliation**

The payroll clearing account reconciliation was incomplete as of June 30, 2004. The outstanding check list made available for examination did not reconcile to the payroll clearing account. This situation has led to the inability of the School to detect accounting errors or other irregularities on a timely basis and of maintaining proper cash management over this account.

To improve this weakness, we recommend that the payroll account be reconciled on a monthly basis and that an outstanding checklist be maintained. The School should also ensure all reconciling items are sufficiently supported by documentation. Finally, the Treasurer should include the monthly reconciliation in the report package given to the Board at their monthly meeting so that they can be kept informed of the financial position of the School. This will help improve financial accountability for all payroll and payroll related expenditures and reduce the risk of misappropriation of School assets.

**FINDING NUMBER 2004-002**

**Reportable Condition – Audit Difficulties**

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

- a. The School did not provide a properly reconciled payroll clearing account as of June 30, 2004, and;
- b. The School’s GAAP financial statements and related footnote disclosures required numerous corrections due to unfamiliarity with the presentation requirements relevant to the initial year implementation of Government Accounting Standards Board (GASB) Statement Nos. 34, 37, and 38.

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

We recommend the following:

- a. The School maintain a properly reconciled payroll clearing account, and;
- b. The School provide a complete and accurate set of GAAP financial statements and footnote disclosures that comply with the presentation requirements of GASB Statement Nos. 34, 37, and 38 for audit purposes.

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

**1. Title of Finding**

|                                    |      |
|------------------------------------|------|
| <b>Finding Number</b>              | None |
| <b>CFDA Title and Number</b>       |      |
| <b>Federal Award Number / Year</b> |      |
| <b>Federal Agency</b>              |      |
| <b>Pass-Through Agency</b>         |      |

EAGLE HEIGHTS ACADEMY  
MAHONING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2004

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2003-001       | Payroll clearing account was not reconciled on a monthly basis. | No               | Reissued as Finding Number 2004-001  |







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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 13, 2006**