



Mary Taylor, CPA
Auditor of State

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

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, Ohio, (the "School"), as of and for the year ended June 30, 2006 which collectively 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, Ohio, as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, 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 receipts and expenditures 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 receipts and expenditures 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 20, 2008

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

The discussion and analysis of the Eagle Heights Academy (the "School ") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2006. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets were \$2,056,201 at June 30, 2006.
- The School had operating revenues of \$6,312,742 and operating expenses of \$9,032,052 for fiscal year 2006. The School also received \$2,087,646 in federal and state grants during fiscal year 2006. Total change in net assets for the fiscal year was a decrease of \$631,223.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

Reporting the School Financial Activities

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

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

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

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

Net Assets

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Current assets	\$ 466,150	\$ 1,133,193
Capital assets, net	<u>2,666,494</u>	<u>2,503,779</u>
Total assets	<u>3,132,644</u>	<u>3,636,972</u>
<u>Liabilities</u>		
Current liabilities	975,937	875,810
Long term liabilities	<u>100,506</u>	<u>73,738</u>
Total liabilities	<u>1,076,443</u>	<u>949,548</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,523,173	2,503,779
Restricted	848,241	-
Unrestricted	<u>(1,315,213)</u>	<u>183,645</u>
Total net assets	<u>\$ 2,056,201</u>	<u>\$ 2,687,424</u>

Over time, net assets can serve as a useful indicator of a government's financial position. The School's financial position at June 30, 2006 has declined compared to the prior year as a result of a decrease in assets, specifically and primarily the decrease assets are contributed to the decrease in foundation payments received from the State. At June 30, 2006, the School's assets exceeded liabilities by \$2,056,201.

At year-end, capital assets represented 85.12% of total assets. Capital assets consisted of leasehold improvements, building, furniture and fixtures, textbooks and equipment. Capital assets are used to provide services to the students and are not available for future spending. The amount invested in capital assets, net of related debt at June 30, 2006 was \$2,523,173. A portion of the School's net assets, \$848,241, represents resources that are subject to external restriction on how they may be used. The remaining is a deficit balance in unrestricted net assets of \$1,315,213.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

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

Change in Net Assets

	<u>2006</u>	<u>2005</u>	<u>Percentage Change</u>
<u>Operating Revenues:</u>			
Foundation payments	\$ 6,107,458	\$ 7,140,315	(14.47) %
Charges for services	17,502	-	100.00 %
Other	<u>187,782</u>	<u>51,224</u>	266.59 %
Total operating revenue	<u>6,312,742</u>	<u>7,191,539</u>	(12.22) %
<u>Operating Expenses:</u>			
Salaries and wages	4,850,235	4,833,341	0.35 %
Fringe benefits	1,621,256	1,178,930	37.52 %
Purchased services	1,502,029	1,103,270	36.14 %
Materials and supplies	798,594	806,502	(0.98) %
Other	73,461	150,483	(51.18) %
Depreciation	<u>186,477</u>	<u>255,924</u>	(27.14) %
Total operating expenses	<u>9,032,052</u>	<u>8,328,450</u>	8.45 %
<u>Non-operating revenues (expenses):</u>			
Federal and state grants	2,087,646	1,247,050	67.41 %
Federal donated commodities	15,213	-	100.00 %
Donations	-	222,044	(100.00) %
Interest income	7,816	5,381	45.25 %
Interest and fiscal charges	(22,588)	(23,635)	(4.43) %
Other	<u>-</u>	<u>(1,318)</u>	100.00 %
Total non-operating revenues (expenses)	<u>2,088,087</u>	<u>1,449,522</u>	44.05 %
Change in net assets	(631,223)	312,611	(301.92) %
Net assets at beginning of year	<u>2,687,424</u>	<u>2,374,813</u>	13.16 %
Net assets at end of year	<u>\$ 2,056,201</u>	<u>\$ 2,687,424</u>	(23.49) %

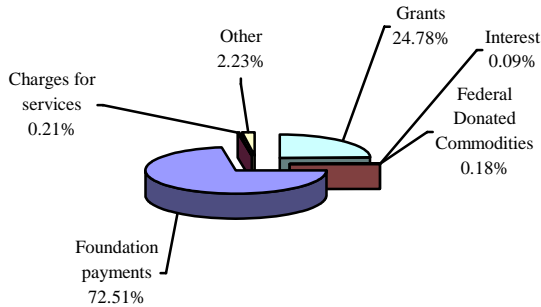
During fiscal 2006, the School's net assets decreased by \$631,223, from \$2,687,424 to \$2,056,201. This decrease in net assets is a result of a decrease in Foundation payments.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

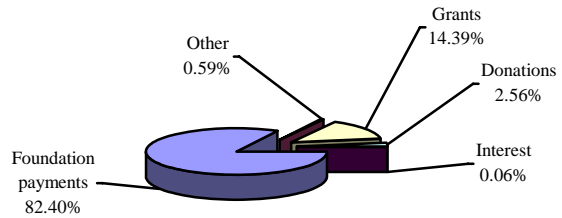
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

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

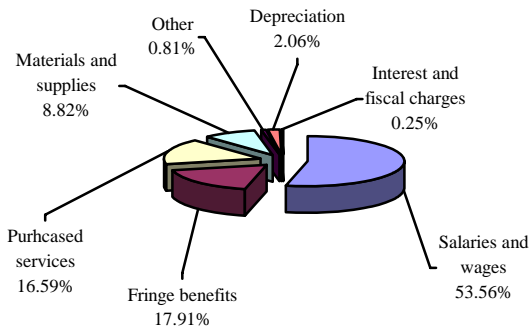
2006 Revenues



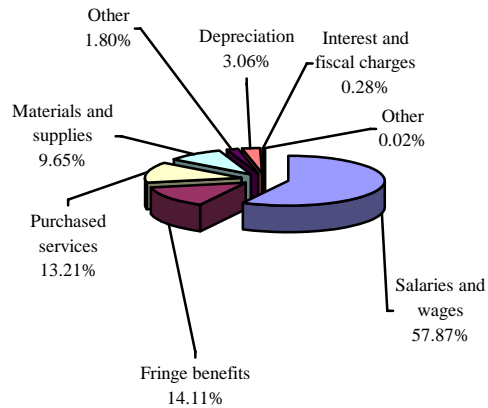
2005 Revenues



2006 Expenses



2005 Expenses



Current Financial Related Activities

The School was founded in 1998 and currently operates as an independent non-profit Ohio public charter School, sponsored by Council of Community Schools.

The School is funded through the State's Foundation program, as it receives no local tax monies and can not charge tuition, levy taxes or issue bonds to raise revenue. Also the School receives State and Federal restricted grant aid to supplement the learning process for the students. The Student bodies of the School benefit greatly from the Federal Programs dollars in that more than 90 of the children receive free or reduced meals.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Ronald E. King, Business Manager, Eagle Heights Academy, 1833 Market Street, Youngstown, Ohio 44507.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

Assets:	
<i>Current Assets:</i>	
Equity in pooled cash and cash equivalents. . .	\$ 26,427
Receivables:	
Intergovernmental	418,827
Prepayments	8,453
Materials and supplies inventory.	12,443
	466,150
Total current assets	
<i>Non-Current Assets:</i>	
Depreciable capital assets, net	2,666,494
	3,132,644
Total assets	
Liabilities:	
<i>Current Liabilities:</i>	
Accounts payable.	123,516
Accrued wages and benefits	526,832
Pension obligation payable.	216,611
Intergovernmental payable	66,163
Current portion of capital lease obligation . . .	42,815
	975,937
Total current liabilities	
<i>Long-term liabilities:</i>	
Capital lease obligation	100,506
	100,506
Total long-term liabilities	
	1,076,443
Total liabilities	
Net Assets:	
Invested in capital assets, net	
of related debt.	2,523,173
Restricted for:	
State funded programs	696,956
Federal funded programs	137,633
Capital projects.	13,652
Unrestricted	(1,315,213)
	2,056,201
Total net assets.	
	\$ 2,056,201

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

Operating revenues:	
Foundation payments	\$ 6,107,458
Charges for services.	17,502
Other	187,782
Total revenue	<u>6,312,742</u>
Operating expenses:	
Salaries and wages	4,850,235
Fringe benefits	1,621,256
Purchased services	1,502,029
Materials and supplies	798,594
Other.	73,461
Depreciation	186,477
Total expenses	<u>9,032,052</u>
Operating loss	<u>(2,719,310)</u>
Non-operating revenues (expenses):	
Federal and state grants	2,087,646
Interest income.	7,816
Federal donated commodities.	15,213
Interest and fiscal charges	(22,588)
Total nonoperating revenues (expenses).	<u>2,088,087</u>
Change in net assets	(631,223)
Net assets at beginning of year.	<u>2,687,424</u>
Net assets at end of year	<u><u>\$ 2,056,201</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from foundation payments	\$ 6,230,295
Cash received from charges for services	17,502
Cash received from other operations.	187,782
Cash payments for personal services.	(6,265,628)
Cash payments for purchased services	(1,458,556)
Cash payments for materials and supplies	(800,663)
Cash payments for other operations	(67,808)
	(2,157,076)
Net cash used in operating activities	(2,157,076)
Cash flows from noncapital financing activities:	
Federal and state grants.	2,225,740
	2,225,740
Net cash provided by noncapital financing activities	2,225,740
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(253,556)
Proceeds of notes.	175,000
Principal retirement.	(390,718)
Interest and fiscal charges.	(22,588)
	(491,862)
Net cash used in capital and related financing activities	(491,862)
Cash flows from investing activities:	
Interest received	7,816
	7,816
Net cash provided by investing activities	7,816
Net decrease in cash and cash equivalents	(415,382)
Cash and cash equivalents at beginning of year . . .	441,809
Cash and cash equivalents at end of year.	\$ 26,427
	26,427
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,719,310)
Adjustments:	
Depreciation.	186,477
Federal donated commodities	15,213
Changes in assets and liabilities:	
Decrease in intergovernmental receivable.	122,883
Increase in materials and supplies inventory.	(12,443)
Increase in prepayments	(8,453)
Increase in accounts payable.	49,108
Increase in accrued wages and benefits	13,385
Increase in intergovernmental payable.	52,645
Increase in pension obligation payable.	143,419
	143,419
Net cash used in operating activities.	\$ (2,157,076)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 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 entered into a new five year sponsorship contract with The Toledo Charter School Council commencing July 1, 2005. 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 906 students.

NOTE 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. 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.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

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

B. Measurement Focus and Basis of Accounting – (Continued)

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the 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 Investments

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.

During fiscal year 2006, investments were limited to repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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. Operating Revenues and Expenses

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

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

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

G. 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 overpayment to the School in the amount of \$37,571.

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. 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.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food and purchased food that are held for resale and are expensed when used.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items on the statement of net assets. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

J. 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.

K. 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.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2006, the carrying amount of all School deposits, exclusive of a \$151,000 repurchase agreement, was \$(146,137). A liability was not recorded for the negative carrying amount of deposits because there was not an actual overdraft due to the “zero-balance” nature of the School’s bank accounts. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$100,000 of the School’s bank balance of \$347,875 was covered by Federal Deposit Insurance Corporation, while \$247,875 was exposed to custodial risk as discussed below.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the School’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Interest Rate Risk: The Ohio Revised Code requires that repurchase agreements cannot exceed thirty days.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006 consisted of intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of state programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net assets follows:

Intergovernmental	<u>\$ 418,827</u>
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NOTE 5 - LONG-TERM OBLIGATIONS

Changes in the School’s long-term obligations during fiscal year 2006 were as follows:

	Balance at		Balance at	Due Within
	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/06</u>
				<u>One Year</u>
Capital lease obligation payable	\$ 73,738	\$ 95,636	\$ (26,053)	\$ 143,321
Notes payable	<u>189,665</u>	<u>175,000</u>	<u>(364,665)</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 263,403</u>	<u>\$270,636</u>	<u>\$ (390,718)</u>	<u>\$ 143,321</u>
				<u>\$ 42,815</u>

Capital Lease Obligation: See Note 8 for details.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 5 - LONG-TERM OBLIGATIONS - (Continued)

Notes Payable: The School had a note payable in the amount of \$189,665 outstanding at June 30, 2005, payable to National City Bank at an interest rate of 4.60% for the purpose of making improvements to the gymnasium auditorium and basement level of the School building. This obligation was paid in full during fiscal year 2006. The School also borrowed an additional \$175,000 through a line of credit from National City Bank on November 3, 2005. This amount was paid in full on May 8, 2006. The interest rate on the line of credit ranged from 7.00% - 8.00%.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

A summary of the School's capital assets at June 30, 2006, follows:

	Balance at <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2006</u>
<i>Capital assets, being depreciated</i>				
Land	\$ -	\$ 139,697	\$ -	\$ 139,697
Leasehold Improvements	1,829,027	5,515	-	1,834,542
Building	200,000	-	-	200,000
Furniture and Fixtures	355,147	9,405	-	364,552
Textbooks	527,538	85,611	-	613,149
Equipment	<u>1,138,504</u>	<u>108,964</u>	-	<u>1,247,468</u>
<i>Total capital assets, being depreciated</i>	<u>4,050,216</u>	<u>349,192</u>	-	<u>4,399,408</u>
<i>Less: Accumulated Depreciation</i>				
Land	-	-	-	-
Leasehold Improvements	(226,073)	(5,652)	-	(231,725)
Building	(16,667)	(885)	-	(17,552)
Furniture and Fixtures	(210,207)	(21,491)	-	(231,698)
Textbooks	(350,914)	(78,743)	-	(429,657)
Equipment	<u>(742,576)</u>	<u>(79,706)</u>	-	<u>(822,282)</u>
<i>Total accumulated depreciation</i>	<u>(1,546,437)</u>	<u>(186,477)</u>	-	<u>(1,732,914)</u>
<i>Net Capital Assets</i>	<u>\$ 2,503,779</u>	<u>\$ 162,715</u>	<u>\$ -</u>	<u>\$ 2,666,494</u>

NOTE 7 - PURCHASED SERVICES

Purchased Services include the following:

Professional and Technical Services	\$ 492,513
Property Services	732,218
Travel Mileage/Meeting Expense	8,231
Communications	61,876
Utilities	206,771
Contracted Craft/Trade Services	<u>420</u>
	<u>\$ 1,502,029</u>

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 8 - CAPITAL LEASES

The School entered into two lease agreements during fiscal year 2004 with Key Municipal Finance for electronic white boards. The School also entered into two additional lease agreements during fiscal year 2006 with GE Capital and Bank of America for copiers. 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 and copiers have been capitalized in the amount of \$235,526, the present value of the minimum lease payments at the inception of the lease. The book value as of June 30, 2006 was \$165,032. The following is a schedule of the future longterm minimum lease payments required under the capital leases and the present value of the minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2007	\$ 52,260
2008	50,875
2009	24,596
2010	23,591
2011	<u>13,710</u>
Total future minimum lease payments	\$ 165,032
Less: amount representing interest	<u>(21,711)</u>
Present value of future minimum lease payments	<u><u>\$ 143,321</u></u>

A liability for capital lease obligations in the amount of \$143,321 is reported on the statement of net assets.

NOTE 9 - OPERATING LEASES

- A.** The School entered into a five-year operating lease agreement on September 1, 2003 for a parcel of land on the southerly side of Delason Avenue in the City of Youngstown to be used for additional parking for the School at a cost of \$4,000 per year. The following is a schedule of the future minimum lease payments required under the operating lease:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2007	\$ 4,000
2008	<u>4,000</u>
Total future minimum lease payments	<u><u>\$ 8,000</u></u>

- B.** The School entered into a lease agreement with the City of Youngstown Parks and Recreation Commission on October 1, 2005, to lease the premises located at 1840 Erie, which is referred to as the Sports Complex, for physical education classes, scheduled varsity and junior varsity basketball, volleyball, and football games. The leased premises shall be leased for the term of the 2005-2006 school year. The School was to pay a flat rate of \$26,000 to the Lessor payable in three payments due on or before November 1, 2005, February 1, 2006, and May 1, 2006.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 10 - RISK MANAGEMENT

A. 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 2006, the School contracted with Midwestern Indemnity 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. The Midwestern Indemnity Company 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 The Midwestern Indemnity Company with a \$1,000,000 aggregate limit and no deductible.

B. 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.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Employee Medical, Dental, and Vision Benefits

The School has contracted with a private carrier to provide employee medical/surgical benefits. The School pays 85.5% of the monthly premium for family, employee and spouse and singles. The employee is responsible for the remaining percentage. For fiscal year 2006, the School's and the employees' premiums were \$733.33 and \$85.15 for family coverage, \$614.29 and \$70.64 for employee and spouse coverage and \$304.75 and \$35.05 for single coverage per month.

The School has also contracted with private carriers to provide dental and vision insurance. The employee is responsible for all of the monthly premium. The employees' premiums for dental and vision were \$94.96 for family coverage, \$79.54 for employee and spouse coverage and \$38.45 for single coverage per employee per month.

B. 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.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$136,320, \$147,833 and \$109,455; 40.81 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$80,692 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$475,731, \$488,518 and \$419,497; 83.44 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$78,802 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$13,783 made by the School and \$27,126 made by the plan members.

NOTE 13 - POST EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$36,595 for fiscal year 2006.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 13 - POST EMPLOYMENT BENEFITS - (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, School paid \$77,226 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 were \$158.751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006, SERS had 59,492 participants currently receiving health care benefits.

NOTE 14 - CONTINGENCIES

A. 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. 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, 2006.

B. Litigation

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

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY, OHIO**

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

NOTE 15 - JOINTLY GOVERNED COUNCIL OF GOVERNMENTS

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed Council of Governments organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these school's supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Eagle Heights is a non-voting member of this organization. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302.

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**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education:</i>						
Food Donation		10.550	-	\$15,478	-	\$15,478
Nutrition Cluster:						
School Breakfast Program	05-PU	10.553	\$132,726	-	\$132,726	-
National School Lunch Program	03-PU, 04-PU	10.555	<u>320,458</u>	<u>-</u>	<u>320,458</u>	<u>-</u>
Total Department of Agriculture - Nutrition Cluster			<u>453,184</u>	<u>15,478</u>	<u>453,184</u>	<u>15,478</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF	84.027	99,015	-	183,311	-
Title I Grants to Local Educational Agencies	C1-S1	84.010	570,620	-	704,954	-
Safe and Drug Free Schools and Communities - State Grants	DR-S1	84.186	0	-	17,368	-
21st Century Community Learning Centers	T1-S1	84.287	268,916	-	240,755	-
State Grants for Innovative Programs	C2-S1	84.298	0	-	12,454	-
Education Technology State Grants	G2-S4	84.318	6,869	-	160	-
Improving Teacher Quality State Grants	TR-S1	84.367	<u>24,413</u>	<u>-</u>	<u>135,054</u>	<u>-</u>
Total Department of Education			<u>969,833</u>	<u>0</u>	<u>1,294,056</u>	<u>0</u>
Totals			<u>\$1,423,017</u>	<u>\$15,478</u>	<u>\$1,747,240</u>	<u>\$15,478</u>

The accompanying notes are an integral part of this schedule.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and 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

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

NOTE C - FOOD DONATION PROGRAM

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.

NOTE D - 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.



Mary Taylor, CPA

Auditor of State

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
1833 Market Street
Youngstown, Ohio 44507

To the Board of Trustees:

We have audited the financial statements of Eagle Heights Academy, (the "School"), as of and for the year ended June 30, 2006, which comprise the School's basic financial statements and have issued our report thereon dated June 20, 2008. 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 a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2006-001.

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. We consider the reportable condition item 2006-001 listed above to be a material weakness. In a separate letter to the School's management dated June 20, 2008, we reported other matters involving internal control over financial reporting which 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 we must report under *Government Auditing Standards*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 20, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 each of its major federal programs for the year ended June 30, 2006. 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, the School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. In a separate letter to the School's management dated June 20, 2008, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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.

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www.auditor.state.oh.us

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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the School's management in a separate letter dated June 20, 2008.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 20, 2008

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster Program CFDA #10.553 and #10.555 Title I Grant CFDA#84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER - 2006-001

Material Weakness – Cash and Payroll Reconciliations

The School does not perform monthly bank reconciliations for the regular or payroll accounts. Reconciliations are only performed after the fiscal year has ended. 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 these accounts. It also resulted in adjustments to the financial statements and the accounting records. These adjustments have been posted.

To improve this weakness, we recommend that these accounts be reconciled on a monthly basis and that any errors or mispostings be corrected on a timely basis. The School should also ensure that all reconciling items are sufficiently supported by documentation. Finally, the Business Manager should include the monthly reconciliations into the report package that is 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 expenditures and reduce the risk of misappropriation of School assets.

Officials' Response:

We will perform monthly cash and payroll account reconciliations on a timelier basis.

3. FINDINGS FOR FEDERAL AWARDS

NONE

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2005-001	Finding for Recovery for the school using the wrong STRS percentage rate for Ramona Robbins.	Yes	
2005-002	Finding for Recovery for the school using the wrong STRS percentage rate for Rose Miller.	Yes	
2005-003	Cash and Payroll accounts were not reconciled on a monthly basis.	No	Reissued as Finding Number 2006-001
2005-004	Audit Difficulties: the School did not provide a properly reconciled payroll clearing account and the GAAP financial statements and related footnote disclosures required numerous corrections due to unfamiliarity with the presentation requirements.	Yes	



Mary Taylor, CPA
Auditor of State

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
JULY 29, 2008**