



**Auditor of State
Betty Montgomery**

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Golden Eagle Digital Academy
Stark County
901 44th Street NW
Canton, Ohio 44709

To the Board of Directors:

We have audited the accompanying basic financial statements of the Golden Eagle Digital Academy, Stark County, Ohio, (the Academy) a component unit of the Plain Local School District, as of and for the years ended June 30, 2005 and 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Academy'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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Golden Eagle Digital Academy, as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We previously issued a report dated December 17, 2004, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2004. 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 the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

February 10, 2006

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED

The discussion and analysis of the Golden Eagle Digital Academy's (the "Academy@") financial performance provides an overall review of the Academy's financial activities for the fiscal years ended June 30, 2005 and 2004. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets were \$223,173 at June 30 2005.
- The Academy had operating revenues of \$171,601 and operating expenses of \$269,218 for fiscal year 2005. The Academy also received \$155,925 in federal and state grants during fiscal year 2005. Total change in net assets for the fiscal year was an increase of \$58,308.

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 Academy'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 Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2005 and 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy 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 Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED

The table below provides a summary of the Academy's net assets for fiscal year 2005 and 2004.

	Net Assets	
	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets	\$ 201,028	\$ 151,412
Capital assets, net	<u>25,653</u>	<u>31,161</u>
Total assets	<u>226,681</u>	<u>182,573</u>
<u>Liabilities</u>		
Current liabilities	<u>3,508</u>	<u>17,708</u>
Total liabilities	<u>3,508</u>	<u>17,708</u>
<u>Net Assets</u>		
Invested in capital assets	25,653	31,161
Restricted	137,650	118,329
Unrestricted	<u>59,870</u>	<u>15,375</u>
Total net assets	<u>\$ 223,173</u>	<u>\$ 164,865</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the Academy's net assets totaled \$223,173.

At year-end, capital assets represented 11.32% of total assets. Capital assets consisted of furniture and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED

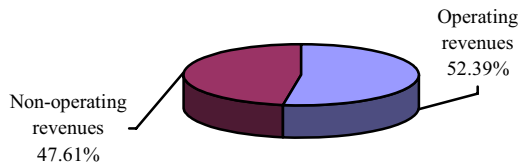
The table below shows the changes in net assets for fiscal year 2005 and 2004.

Change in Net Assets

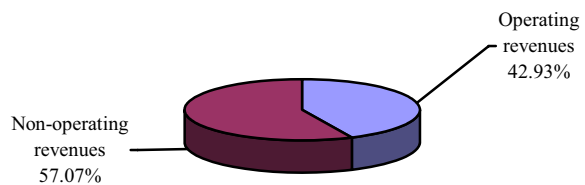
	<u>2005</u>	<u>2004</u>
<u>Operating Revenues:</u>		
State foundation	\$ 171,601	\$ 117,305
Total operating revenue	<u>171,601</u>	<u>117,305</u>
<u>Operating Expenses:</u>		
Purchased services	263,470	219,009
Materials and supplies	240	7,795
Depreciation	<u>5,508</u>	<u>4,014</u>
Total operating expenses	<u>269,218</u>	<u>230,818</u>
<u>Non-operating revenues:</u>		
Federal and state grants	<u>155,925</u>	<u>155,925</u>
Total non-operating revenues	<u>155,925</u>	<u>155,925</u>
Change in net assets	58,308	42,412
Net assets at beginning of year	<u>164,865</u>	<u>122,453</u>
Net assets at end of year	<u>\$ 223,173</u>	<u>\$ 164,865</u>

The charts below illustrate the revenues and expenses for the Academy during fiscal 2005 and 2004.

2005 Revenues

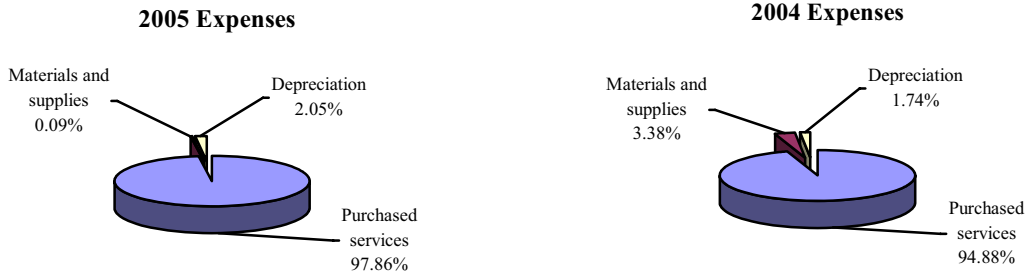


2004 Revenues



**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED



Capital Assets

At June 30, 2005, the Academy had \$25,653 invested in furniture and equipment. See Note 4 to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Academy is sponsored by the Plain Local School District. The Academy relied on the state foundation funds as well as federal sub-grants to provide the monies necessary to begin the start-up of an online educational program. The Academy has received a third round of federal funding. This grant will be exhausted in January 2006. These funds are being used to help expand the current program. State foundation monies fund current operations.

The future of the Academy is dependent upon continued funding from the state foundation funds as no local revenue can be generated through tuition or property taxes. It is the intention of the management of the Academy to pursue other state and federal sub-grants as they become available.

In conclusion, the Academy has committed itself to providing online educational opportunities to students. The management will aggressively pursue adequate funding to secure the financial stability of the Academy.

Contacting the Academy's Financial Management

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

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005 AND 2004

Assets:	2005	2004
Current assets:		
Equity in pooled cash and cash equivalents. . .	\$ 75,533	\$ 50,199
Receivables:		
Intergovernmental.	125,000	100,778
Prepayments	495	435
Total current assets	201,028	151,412
Non-current assets:		
Capital assets, net.	25,653	31,161
Total assets	226,681	182,573
Liabilities:		
Current liabilities:		
Accounts payable	1,370	17,708
Intergovernmental payable	2,138	-
Total current liabilities	3,508	17,708
Net Assets:		
Invested in capital assets	25,653	31,161
Restricted for:		
State funded programs.	1,981	4,914
Federally funded programs	135,669	113,415
Unrestricted.	59,870	15,375
Total net assets	\$ 223,173	\$ 164,865

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Operating revenues:		
State foundation	\$ 171,601	\$ 117,305
Total operating revenues	171,601	117,305
Operating expenses:		
Purchased services	263,470	219,009
Materials and supplies	240	7,795
Depreciation	5,508	4,014
Total operating expenses	269,218	230,818
Operating loss	(97,617)	(113,513)
Non-operating revenues:		
Federal and state grants	155,925	155,925
Total non-operating revenues	155,925	155,925
Change in net assets	58,308	42,412
Net assets at beginning of year	164,865	122,453
Net assets at end of year	\$ 223,173	\$ 164,865

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Cash flows from operating activities:		
Cash received from State foundation	\$ 173,739	\$ 117,305
Cash payments to suppliers for goods and services	(279,988)	(201,736)
Cash payments for materials and supplies	(120)	(7,795)
Net cash used in operating activities	(106,369)	(92,226)
Cash flows from noncapital financing activities:		
Federal and state grants	131,703	160,147
Net cash provided by noncapital financing activities	131,703	160,147
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(20,629)
Net cash used in capital and related financing activities	-	(20,629)
Net increase in cash and cash equivalents	25,334	47,292
Cash and cash equivalents at beginning of year	50,199	2,907
Cash and cash equivalents at end of year	\$ 75,533	\$ 50,199
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (97,617)	\$ (113,513)
Adjustments:		
Depreciation	5,508	4,014
Changes in assets and liabilities:		
Increase (decrease) in prepayments	(60)	(435)
Increase (decrease) in accounts payable	(16,338)	17,708
Increase in intergovernmental payable	2,138	-
Net cash used in operating activities	\$ (106,369)	\$ (92,226)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Golden Eagle Digital Academy (the "Academy") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Plain Local School District addressing the needs of students in kindergarten through the twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The Academy is considered a component unit of the Plain Local School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program.

The Academy was approved under contract with the Plain Local Schools (the "Sponsor") for a period of five years commencing July 1, 2002. The Academy began operations on August 26, 2002. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors. The Board is composed of the Sponsor's Superintendent together with two other licensed administrators who are employed by the Sponsor. The Board also includes two other persons who are neither officers nor staff members of the Academy or Sponsor to serve as voting members. One of the members is a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the Academy. The other member is a representative appointed by the Academy who within one year following the incorporation of the Academy, be replaced by a person who represents the interests of parents and students served by the Academy. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The Academy, under a purchased services basis with with Stark-Portage Area Computer Consortium (SPARCC) in partnership with Tri-Rivers Educational Computer Association (TRECA), provides planning, instructional, and technical services. Personnel providing services to the Academy on behalf of SPARCC in partnership with TRECA are considered employees of SPARCC and TRECA, and SPARCC and TRECA shall be solely responsible for all payroll functions. Additional personnel services are provided by the Sponsor on a purchased services basis. The Academy provides services to approximately twenty-five students.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705, except for section 5705.391 as it relates to five-year forecasts and spending plans.

D. Cash

All monies received by the Academy are deposited in a demand deposit account.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

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

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$750. The Academy 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 an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over five to twenty years.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. 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.

H. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grants for the fiscal year 2005 received by the Academy was \$155,925.

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 3 - DEPOSITS

At June 30, 2005, the carrying amount of the Academy's deposits was \$75,533 and the bank balance was \$86,394. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, none of the Academy's bank balance was exposed to custodial risk. The bank balance was covered by federal depository insurance.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2005</u>
Furniture and equipment	\$ 35,754	\$ -	\$ -	\$ 35,754
Less: accumulated depreciation	<u>(4,593)</u>	<u>(5,508)</u>	<u>-</u>	<u>(10,101)</u>
Capital assets, net	<u>\$ 31,161</u>	<u>\$ (5,508)</u>	<u>\$ -</u>	<u>\$ 25,653</u>

NOTE 5 - RECEIVABLES

The Academy participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$150,000 during the year ended June 30, 2005 to offset start-up costs of the Academy. Revenue received from this program is recognized as grants and subsidies in the accompanying financial statements. \$125,000 of this award was receivable at June 30, 2005. This amount is presented as "Intergovernmental" on the statement of net assets. All intergovernmental receivables are considered collectible in full due to the current year guarantee of Federal funds.

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2005, the Academy was named on the Sponsor's policy with Indiana Insurance Company for property and general liability insurance.

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2005, purchased services expenses were as follows:

Professional and technical services	\$257,451
Property services	2,040
Travel and meetings	<u>3,979</u>
Total	<u>\$263,470</u>

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 8 - RENTAL/PERSONNEL AGREEMENT

The Academy entered into a rental/personnel agreement with the Sponsor for the use of classrooms, office space, and personnel services. This agreement was for the period of one year beginning July 1, 2004, with an automatic renewal option. Annual payments for the fiscal year 2005 were \$85,600.

NOTE 9 - SERVICE AGREEMENT

The Academy entered into a contract on November 20, 2002, with Stark/Portage Area Computer Consortium (SPARCC) for management consulting services. Under this contract, the following terms were agreed upon:

1. SPARCC shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
2. All personnel providing services to the Academy on behalf of SPARCC under the agreement shall be employees of SPARCC and SPARCC shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure, which may be required by law.
3. The technical services provided by SPARCC to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
4. In exchange for the services and support (including equipment) provided by SPARCC, the Academy shall pay to SPARCC a fee of \$25,000 for the year 2005.
5. The Academy shall pay to SPARCC \$3,500 per full-time high school student and \$2,500 per full-time K-8 student enrolled in the Academy per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

The Sponsor and TRECA, under a purchased services basis with the Academy, provide employee services and pay those employees. However, these purchased services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy ultimately responsible for remitting contributions to each of the systems noted below:

A. School Employees Retirement System

TRECA and the Academy's Sponsor contribute on behalf of the Academy to the School Employees Retirement System of Ohio (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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS – (Continued)

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2005, 10.57% of annual covered salary was the portion to fund pension obligations. For fiscal year 2004, 8.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations for fiscal year 2005 were paid by TRECA and the Academy's Sponsor.

B. State Teachers Retirement System

TRECA and the Academy's Sponsor contribute on behalf of the Academy to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during the fifth year of membership unless they permanently select the DC or Combined Plan.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. As a comparison, 13% was used to fund pension obligations in 2003. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contributions for pension obligations to STRS for fiscal year 2005 were paid by TRECA and the Academy's Sponsor.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS – (Continued)

Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund.

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 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), 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 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) 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. The Academy's costs were paid by TRECA and the Academy's Sponsor.

NOTE 12 - SCHOOL FUNDING DECISION

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

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

NOTE 13 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2005.

**GOLDEN EAGLE DIGITAL ACADEMY
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 13 - CONTINGENCIES - (Continued)

B. 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's 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 for oral argument on November 18th, 2003. On August 24, 2004, the Court of Appeals rendered a decision that community schools are part of the states public educational system and the matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the approval from the Court of Appeals for review on February 16, 2005. Oral arguments occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy was reviewed two times during fiscal year 2005 and zero errors were found in enrollment, withdrawals and attendance. As a result of the review after fiscal year end, the Academy owed the Ohio Department of Education \$2,138 which is reflected on the financial statements as an intergovernmental payable.

NOTE 14 - RELATED PARTY TRANSACTION

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



**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**

Golden Eagle Digital Academy
Stark County
901 44th Street NW
Canton, Ohio 44709

To the Board of Directors:

We have audited the financial statements of the Golden Eagle Digital Academy, Stark County, Ohio, (the Academy) a component unit of the Plain Local School District, as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated February 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy'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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy'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*.

Golden Eagle Digital Academy
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Directors. 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

February 10, 2006



**Auditor of State
Betty Montgomery**

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GOLDEN EAGLE DIGITAL ACADEMY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2006**