



Dave Yost • Auditor of State

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

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Dave Yost • 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, (the "Academy") as of and for the year ended June 30, 2010. 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.

Ohio Administrative Code Section 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Academy as of and for the year ended June 30, 2010 in accordance with accounting principles generally accepted in the United States of America.

The Academy has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

As discussed in Note 12, on August 25, 2010, the Ohio Department of Education made the determination that the Academy would terminate operations as of June 30, 2010 due to poor academic performance as defined in Section 3314.35 of the Ohio Revised Code.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, 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. 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.

We conducted our audit to opine on the Academy's financial statements taken as a whole. The Federal Awards Receipt and Expenditure Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The Federal Awards Receipt and Expenditure Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the basic financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Academy, as of June 30, 2010, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipt and Expenditure Schedule.



Dave Yost
Auditor of State

November 28, 2011

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Foundation payments	\$ 4,177,762	\$ 1,153,182	\$ 5,330,944
Extracurricular Activities	-	3,678	3,678
Other	41,915	-	41,915
Total Cash Receipts	<u>4,219,677</u>	<u>1,156,860</u>	<u>5,376,537</u>
Cash Disbursements:			
Salaries and wages	3,066,365	1,022,122	4,088,487
Fringe benefits	1,009,245	336,415	1,345,660
Purchased services	920,147	280,096	1,200,243
Materials and supplies	136,275	79,669	215,944
Other	-	5,466	5,466
Total Cash Disbursements	<u>5,132,032</u>	<u>1,723,768</u>	<u>6,855,800</u>
Excess of Cash Receipts Over / (Under) Cash Disbursements	<u>(912,355)</u>	<u>(566,908)</u>	<u>(1,479,263)</u>
Other Financing Sources/(Uses):			
Federal and state grants	471,250	1,285,957	1,757,207
Investment Income	13	-	13
Principal retirement	(199,186)	-	(199,186)
Interest and fiscal charges	(3,859)	-	(3,859)
Refunded expenditures	120,442	-	120,442
Other	-	189	189
Total Other Financing Sources/(Uses)	<u>388,660</u>	<u>1,286,146</u>	<u>1,674,806</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	<u>(523,695)</u>	<u>719,238</u>	<u>195,543</u>
Fund Cash Balances, July 1, 2009	<u>(829,750)</u>	<u>730,761</u>	<u>(98,989)</u>
Fund Cash Balances, June 30, 2010	<u>\$ (1,353,445)</u>	<u>\$ 1,449,999</u>	<u>\$ 96,554</u>
Reserve for Encumbrances, June 30, 2010	<u>\$ 193,955</u>	<u>\$ 13,094</u>	<u>\$ 207,049</u>

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

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for services	\$ 12,783	-	\$ 12,783
Other	255	-	255
Total Operating Cash Receipts	<u>13,038</u>	<u>-</u>	<u>13,038</u>
Operating Cash Disbursements:			
Salaries and wages	139,377	-	139,377
Fringe benefits	49,880	-	49,880
Purchased services	980	-	980
Materials and supplies	233,974	25	233,999
Total Operating Cash Disbursements	<u>424,211</u>	<u>25</u>	<u>424,236</u>
Excess of Operating Cash Receipts Over / (Under) Operating Cash Disbursements	<u>(411,173)</u>	<u>(25)</u>	<u>(411,198)</u>
Non-Operating Cash Receipts:			
Federal and state grants	399,714	-	399,714
Total Non-Operating Cash Receipts	<u>399,714</u>	<u>-</u>	<u>399,714</u>
Net Receipts Over/(Under) Disbursements	(11,459)	(25)	(11,484)
Fund Cash Balances, July 1, 2009	<u>191,205</u>	<u>401</u>	<u>191,606</u>
Fund Cash Balances, June 30, 2010	<u>\$ 179,746</u>	<u>\$ 376</u>	<u>\$ 180,122</u>
Reserve for Encumbrances, June 30, 2010	<u>\$ 3,574</u>	<u>\$ -</u>	<u>\$ 3,574</u>

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

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Eagle Heights Academy (the “Academy”) 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 Academy, which is part of the State’s education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy 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 Academy entered into a new five year sponsorship contract with The Ohio Council of Community Schools commencing July 1, 2005. The Academy operates under a self-appointing six-member Board of Trustees (the “Board”). The Academy’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 Academy’s one instructional/support facility staffed by 40 non-certified and 56 certified full-time teaching personnel who provide services to 692 students.

B. Accounting Basis

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Academy chose to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when entered, and disbursements are recognized when paid rather than when a commitment is made (i.e., when an encumbrance is approved).

C. Investments

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and neither are charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received. The Academy had no investments at June 30, 2010.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund accounting

The Academy uses fund accounting to segregate cash that is restricted as to use.

The Academy certifies its funds into the following types:

General Fund

The General Fund is the general operating fund and is used to account for all financial resources except for those required by law or contract to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than permanent funds, or major capital projects) that are legally restricted to disbursements for specified purposes. The Academy had the following significant Special Revenue Fund:

Title I Grant - The Title I Grant fund accounts for grant monies received by the Academy to implement the Title I program.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of provide goods and services to the general public on a continuing basis be financed or recovered primarily through user chargers; or (b) where the governing body has 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. The Academy had the following significant Enterprise Fund:

Food Service Fund - The food service fund accounts for the grants and charges for services related to the food service operations of the Academy.

Fiduciary Funds

Trust and Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, on a cost reimbursements basis. The Academy had no Private Purpose Trust funds. The Academy's Agency fund accounted for student activity fund raising occurring during the fiscal year.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 Academy budget for each year of the contract; however the budget does not have to follow Ohio Revised Code Section 5705.

The Academy's Board adopts a formal budget at the beginning of the Academy 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 Academy Principal and Treasurer are responsible for ensuring that purchases are made within these limits. Ohio Revised Code Section 5705.391 (A) requires the Academy to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Inspection at the Ohio Department of Education.

F. Intergovernmental Revenues

The Academy 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 schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review resulted in the discovery of an underpayment to the Academy in the amount of \$30,653.

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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements in which resources are provided to the Academy on a reimbursement basis. The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

G. Property, Plant and Equipment

The Academy records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation and sick leave are not reflected as liabilities under the accounting basis described in Note 1B.

I. Total Columns – Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

J. Federal Tax Exempt Status

On August 23, 1999, the Academy 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 Academy’s tax exempt status.

NOTE 2 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2010, the carrying amount of all Academy deposits was \$276,676 and the bank balance was \$486,365. Of the Academy’s bank balance, \$236,365 was exposed to custodial credit risk as a result of being uninsured and uncollateralized. Although the securities were held by the pledging financial institution’s trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the Academy’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 Academy. The Academy 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.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - SHORT-TERM OBLIGATIONS

During fiscal year 2010, the Academy had a line of credit from National City Bank with an interest rate of 3.25%. The Academy made principal and interest payments on this line of credit of \$199,186, leaving no balance on this debt as of June 30, 2010. No payment was made on the interest free loan.

	Balance at <u>6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/2010</u>
Line of Credit	\$ 199,186	\$ -	\$ (199,186)	\$ -
Interest-free Loan	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
Total short-term obligations	<u>\$ 429,186</u>	<u>\$ -</u>	<u>\$ (199,186)</u>	<u>\$ 230,000</u>

NOTE 4 - DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes 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 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. For fiscal year 2009, 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 Academy's contributions to SERS for fiscal years ended June 30, 2010, 2009 and 2008 were \$134,152, \$123,897, and \$95,344, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A 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.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, 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.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEFINED PENSION BENEFIT PLANS (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10 percent of covered payroll for members and 14 percent for employers. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$413,161, \$434,725, and \$473,586, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$17,620 made by the Academy and \$24,667 by plan members.

NOTE 5 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76 percent. The Academy's contribution for the year ended June 30, 2010 was \$7,978, which equaled the required contribution.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administers in accordance with Internal Revenue Code Section 105(e).

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - POSTEMPLOYMENT BENEFITS (Continued)

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation is .46 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2010, 2009 and 2008 were \$26,772, \$77,977 and \$65,179, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description – The Academy contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 5 - POSTEMPLOYMENT BENEFITS (Continued)

The Academy's contribution for health care for the fiscal year ended June 30, 2010, 2009 and 2008 were \$31,782, \$33,440, and \$36,430 respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

NOTE 6 - OPERATING LEASES

The Academy entered into a lease agreement with the City of Youngstown Parks and Recreation Commission during fiscal year 2010 to lease the premises at 1840 Erie, which is referred to as the Sports Complex, for physical education classes, schedule varsity and junior varsity basketball, volleyball, and football games. The leased premises shall be leased for the term of the 2009-2010 school year. The Academy was to pay a flat rate of \$39,000 to the Lessor by June 30, 2010, of which only \$16,000 was paid. The City terminated the Academy's use of the field for the lack of payment in March 2010.

NOTE 7 - CAPITAL LEASES – LESSEE DISCLOSURE

The Academy entered into two lease agreements during fiscal year 2004 with Key Municipal Finance for electronic white boards. The Academy made one payment during fiscal year 2009 and did not renew the lease. The Academy also entered into two additional lease agreements during fiscal year 2006 with GE Capital and Bank of America for copiers and another new copier from GE Capital during fiscal year 2008. During fiscal year 2009, the Academy entered into an additional lease agreement with Bank of America for another new copier and entered into a lease agreement with GE Capital for another new copier, which replaced an existing lease that was entered into during fiscal year 2006. During fiscal year 2010 no new capital lease agreements were entered into. The Academy's lease obligations met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", however, since the Academy is reporting on a cash basis for fiscal year 2010, these leases will not be included in the financial statement.

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The Academy 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 2010, the Academy contracted with Central Insurance Company for property and general liability insurance. Property coverage carries a \$1,000 deductible and has a \$1,000,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The 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.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 8 - RISK MANAGEMENT (Continued)

Director and officer coverage is provided by The Central Insurance Company with a \$1,000,000 aggregate limit and \$5,000 deductible.

B. Workers Compensation

The Academy 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 9 - CONTINGENCIES

A. Grants

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

B. Litigation

The Academy is a defendant in several lawsuits, the outcome of which cannot be presently determined. It is the opinion of the Academy's management that any judgment against the Academy resulting from these lawsuits would not have a material adverse effect on the Academy's financial position.

C. Internal Revenue Service Tax Payments

The Academy is delinquent on their federal tax payments to the Internal Revenue Service (IRS). The total amount owed to the IRS without including interest and penalties at June 30, 2010 was \$997,599. The Academy is having ongoing discussions with the IRS on a settlement of interest and penalties that have accrued over several years as a result of not paying their federal taxes. The IRS has placed a lien on the Academy's building as a result of the delinquent payments.

NOTE 10 - COMPLIANCE

The Academy failed to properly prepare their financial statements in accordance with generally accepted accounting principles as required by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 (B).

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 11 - JOINTLY GOVERNED COUNCIL OF GOVERNMENTS

Tri-Rivers Educational Computer Association (TRECA) is a jointly governed Council of Governments organization among 31 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 100 Executive Drive, Marion, Ohio 43302.

NOTE 12 – SCHOOL CLOSURE

On August 25, 2009, the Ohio Department of Education made the determination that the Academy would terminate operations as of June 30, 2010 due to poor academic performance with state proficiency standards.

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**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$22,395		\$22,395
Cash Assistance:					
School Breakfast Program	10.553	\$115,836	-	\$115,836	-
National School Lunch Program	10.555	270,365	-	270,365	-
Total Department of Agriculture - Nutrition Cluster		<u>386,201</u>	<u>22,395</u>	<u>386,201</u>	<u>22,395</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Title I Cluster:</i>					
Title I Grants to Local Educational Agencies	84.010	599,122	-	665,661	-
ARRA - Title I Grants to Local Educational Agencies	84.389	164,788	-	164,641	-
Total - Title I Cluster		<u>763,910</u>		<u>830,302</u>	
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	142,137	-	253,629	-
ARRA - Special Education Grants to States	84.391	82,724	-	82,881	-
Special Education Preschool Grants	84.173	197	-	897	-
Total - Special Education Cluster		<u>225,058</u>		<u>337,407</u>	
Safe and Drug Free Schools and Communities - State Grants	84.186	657	-	0	-
21st Century Community Learning Centers	84.287	45,032	-	23,258	-
State Grants for Innovative Programs	84.298	0	-	51	-
Education Technology State Grants	84.318	8,563	-	10,966	-
Improving Teacher Quality State Grants	84.367	216,222	-	89,589	-
School Improvement Grants	84.377	11,545	-	0	-
ARRA - State Fiscal Stabilization Fund	84.394	362,872	-	326,806	-
Total Department of Education		<u>1,633,859</u>	<u>-</u>	<u>1,618,379</u>	<u>-</u>
Totals		<u><u>\$2,020,060</u></u>	<u><u>\$22,395</u></u>	<u><u>\$2,004,580</u></u>	<u><u>\$22,395</u></u>

The accompanying notes are an integral part of this schedule.

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports the Eagle Heights Academy's (the "Academy's") federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The Academy reports commodities consumed on the Schedule at the entitlement value. The Academy allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the Academy contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • 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, Mahoning County (the "Academy") as of and for the year ended June 30, 2010 and have issued our report thereon dated November 28, 2011, wherein we noted that the Academy prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). On August 25, 2009, the Ohio Department of Education made the determination that the Academy would terminate operations as of June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-002 and 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 28, 2011.

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

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, the Community School's sponsor, and federal awarding agencies and pass-through entities and others within the Academy. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 28, 2011



Dave Yost • 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 "Academy") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Eagle Height's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy'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 Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 Academy'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 Academy's compliance with those requirements.

As described in findings 2010-004 and 2010-005 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding allowable costs/cost principles applicable to its Child Nutrition Cluster grant (CFDA #10.553 and #10.555) and State Fiscal Stabilization Fund (CFDA #84.394) major federal programs and other compliance requirements applicable to its Child Nutrition Cluster grant (CFDA #10.553 and #10.555), Title I, Part A Cluster grants (CFDA #84.010 and #84.389), Special Education Cluster (IDEA) grants (CFDA #84.027, #84.173, and #84.391), and State Fiscal Stabilization Fund grant (CFDA #84.394) major federal programs. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Eagle Heights Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-004 and 2010-005 to be material weaknesses.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated November 28, 2011.

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



Dave Yost
Auditor of State

November 28, 2011

**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster (CFDA #84.010 and #84.389) Child Nutrition Cluster (CFDA#10.553 and #10.555) Special Education Cluster (CFDA #84.027, #84.173, and #84.391) State Fiscal Stabilization Fund (CFDA #84.394)
(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 - 2010-001

Material Weakness – Cash and Payroll Reconciliations

The Academy had difficulty performing monthly bank reconciliations for their regular and payroll accounts on a timely basis. Reconciliations were eventually completed after the fiscal year ended. This situation could lead to the inability of the Academy to detect accounting errors or other irregularities on a timely basis and of maintaining proper cash management over these accounts. This could also result in material misstatements to the financial statements.

Officials' Response:

Cash Reconciliations have been subsequently provided, however, were delayed due to the fact that the school had no treasurer for several months in FY 10. The school also suffered additional turnover of crucial staff in the treasurer's office, further prolonging the commencement and completion of cash reconciliations.

FINDING NUMBER - 2010-002

Noncompliance Citation

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Academy prepares its financial statements in accordance with a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other legal administrative remedies may be taken against the Academy.

We recommend the Academy prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

Officials' Response:

The Academy provided Cash Basis Statements; the school has subsequently closed and has no staff available to provide otherwise.

FINDING NUMBER - 2010-003

Finding for Recovery

At June 30, 2010, it was determined that Seleka Stanley, a teacher at Eagle Heights Academy, was being paid biweekly based on a salary amount of \$30,500, which was more than her Board-approved salary. As a result of this, Ms. Stanley was overpaid \$833. There was no evidence of approval of the extra money by the Board of Trustees.

The payment in question was authorized by Cherie Cox, Treasurer and John Booher, Chief Executive Officer.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Seleka Stanley, Teacher, in the amount of \$833 in favor of the Eagle Heights Academy Poverty Aid Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

Accordingly, Cherie Cox, Treasurer, her bonding company, The Cincinnati Insurance Company, and John Booher, Chief Executive Officer, are jointly and severally liable in the amount of \$833 and in favor of the Eagle Heights Academy Poverty Aid Fund.

Officials' Response:

This finding has been satisfied with the final payment of accrued wages owed to Ms. Stanley on November 25, 2011.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Allowable Costs/Cost Principles

Finding Number	2010-004
CFDA Title and Number	Child Nutrition Cluster (CFDA #10.553 and #10.555) State Fiscal Stabilization Fund (CFDA #84.394)
Federal Award Number / Year	2010
Federal Agency	Department of Agriculture, Department of Education
Pass-Through Agency	Ohio Department of Education

**FINDING NUMBER - 2010-004
(Continued)**

Noncompliance Finding, Material Weakness, and Questioned Costs

2 C.F.R. Part 225, Appendix B paragraph 8 (h) (3) (4) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of the appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

2 C.F.R Part 225, Appendix B, paragraph 8 (h) (5) further states that personnel activity reports or equivalent documentation must:

- Reflect an after the fact distribution of the actual activity of each employee;
- Account for the total activity for which each employee is compensated;
- Be prepared at least monthly and must coincide with one or more pay periods; and,
- Be signed by the employee.

We noted the following:

- The Food Service Director and the Cafeteria Site Manager were listed as hourly employees in the board minutes until May 11, 2010 where the Board of Trustees retroactively approved them as salary employees. Although these employees were approved retroactively as salaried employees, there were no timesheets completed in any pay period for the fiscal year ended June 30, 2010. The Food Service Director was paid \$42,187 and the Cafeteria Site Manager was paid \$32,895 totaling \$75,082 in federal questioned costs relating to the Child Nutrition Cluster.
- Four teachers were paid from the State Fiscal Stabilization Fund ("SFSF") and the Academy was unable to provide time sheets or semi-annual certifications for these payroll charges. These teachers also did not appear on the SFSF grant supervisor's list of authorized teachers used for this grant. The payroll charges totaled \$128,912 in federal questioned costs relating to the State Fiscal Stabilization Funds.

**FINDING NUMBER - 2010-004
 (Continued)**

We recommend the Academy adopt policies and procedures that require employees charging the federal programs within the Child Nutrition Cluster and the State Fiscal Stabilization Fund to document time and attendance by completing a daily time record or a semi-annual certification, where applicable, for each employee that worked solely on these programs. Said time records should be signed by the employee and approved by the immediate supervisor at the end of each pay period and forwarded to the business office for further review and approval by the appropriate personnel prior to entry into the accounting system. This will help to ensure allowable charges are being made to the Academy's federal programs as well as add a measure of control over the Academy's payroll cycle.

Officials' Response:

The appropriate staff members were charged to these grants, based on discussions with the Grants Coordinator.

Other

Finding Number	2010-005
CFDA Title and Number	State Fiscal Stabilization Fund (CFDA #84.394) Special Education Cluster (IDEA) (CFDA #84.027, #84.173, and #84.391) Title I, Part A Cluster (CFDA #84.010 and #84.389) Child Nutrition Cluster (CFDA#10.553 and #10.555)
Federal Award Number / Year	2010
Federal Agency	Department of Education and Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding and Material Weakness

OMB Circular A-133 Section 200 (b) states that non-Federal entities that expend \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in a year in Federal awards shall have a single audit conducted in accordance with **Section 500** except when they elect to have a program-specific audit conducted in accordance with paragraph **(c)** of this section.

OMB Circular A-133 Section 320 (a) states the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The Academy failed to submit its data collection form and reporting package for the fiscal years ended June 30, 2008 and June 30, 2009.

We recommend that the Academy submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

Officials' Response:

The School has closed; no staff available to submit data collection form for prior years 2008 and 2009.

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**EAGLE HEIGHTS ACADEMY
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2009-001	Cash and Payroll accounts were not reconciled on a monthly basis.	No	Partially corrected – reconciliations were completed but not in a timely manner - reissued as Finding Number 2010-001.
2009-002	Poor Internal Control Environment.	Yes	Finding no longer valid – the Academy implemented a new control environment.
2009-003	Inaccurate fund cash balances on the Five Year Financial Forecast.	Yes	Finding no longer valid – accurate fund balances were reported in the most current forecasts.
2009-004	The Academy failed to remit Federal and Medicare withholdings to the Internal Revenue Service.	Yes	Finding no longer valid – the Academy remitted the proper withholdings to the Internal Revenue Service for FYE 2010.
2009-005	The Academy failed to provide a written management representation letter (GAAP and GAS).	Yes	Finding no longer valid – the Academy provided a written management representation letter.
2009-006	The Academy failed to prepare its financial statements in accordance with GAAP.	No	Reissued as Finding Number 2010-002.
2009-007	The Academy had no timesheets documenting the hours of the Food Service Director and the Assistant Food Service Director.	No	Reissued as Finding Number 2010-004.
2009-008	The Academy failed to provide a written management representation letter (Federal).	No	Finding no longer valid – the Academy provided a written management representation letter.
2009-009	The Academy failed to submit its data collection form for FYE 2008.	No	Reissued as Finding Number 2010-005.

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EAGLE HEIGHTS ACADEMY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 7, 2012**