

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

(AUDITED)

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

JANE FRUTH, TREASURER



Dave Yost • Auditor of State

Board of Directors
Eagle Learning Center
5721 Seaman Road
Oregon, Ohio 43616-2631

We have reviewed the *Independent Auditor's Report* of the Eagle Learning Center, Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Eagle Learning Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2017

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**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Eagle Learning Center, Inc.
Lucas County
5721 Seaman Road
Oregon, Ohio 43616-2631

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Eagle Learning Center, Lucas County, Ohio, a component unit of Oregon City School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Eagle Learning Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Eagle Learning Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Eagle Learning Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eagle Learning Center, Lucas County, Ohio, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2016, the Eagle Learning Center's sponsor was deemed ineffective. We did not modify our opinion regarding this matter.

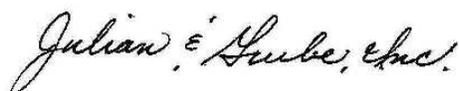
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the Eagle Learning Center'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Eagle Learning Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 22, 2016

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the Eagle Learning Center, Inc. (the "Learning Center") financial performance provides an overall review of the Learning Center's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Learning Center'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 Learning Center's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position was \$845,882 at June 30, 2016.
- The Learning Center had operating revenues of \$700,612 and operating expenses of \$641,937 for fiscal year 2016. The Learning Center also non-operating revenues consisting of interest income in the amount of \$5 for fiscal year 2016. The total change in net position for the period was an increase of \$58,680.

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 Learning Center's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Learning Center, including all short-term and long-term financial resources and obligations.

Reporting the Learning Center's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2016?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Learning Center's net position and changes in that position. This change in net position is important because it tells the reader that, for the Learning Center as a whole, the financial position of the Learning Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Learning Center finances and meets the cash flow needs of its operations.

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The table below provides a summary of the Learning Center's net position at June 30, 2016 and 2015.

	Net Position	
	<u>2016</u>	<u>2015</u>
<u>Assets:</u>		
Current assets	\$ 877,810	\$ 802,862
Non-current assets:		
Capital assets, net	<u>16,042</u>	<u>22,849</u>
Total assets	<u>893,852</u>	<u>825,711</u>
<u>Liabilities:</u>		
Current liabilities	<u>47,970</u>	<u>38,509</u>
<u>Net position:</u>		
Investment in capital assets	16,042	22,849
Restricted	10,000	10,000
Unrestricted	<u>819,840</u>	<u>754,353</u>
Total net position	<u>\$ 845,882</u>	<u>\$ 787,202</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Learning Center's net position totaled \$845,882.

Current assets totaled \$877,810, which consists of cash and cash equivalents of \$872,762, an intergovernmental receivable of \$659 and prepayments of \$4,389. The most significant current liability is a \$30,155 payable to Oregon City School District for services rendered.

At year-end, net capital assets represented 1.79% of total assets. Capital assets consisted of leasehold improvements, computer equipment and software. 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, therefore the investment in capital assets is presented as a separate component of net position.

A portion of the Learning Center's net position, \$10,000, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$819,840.

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

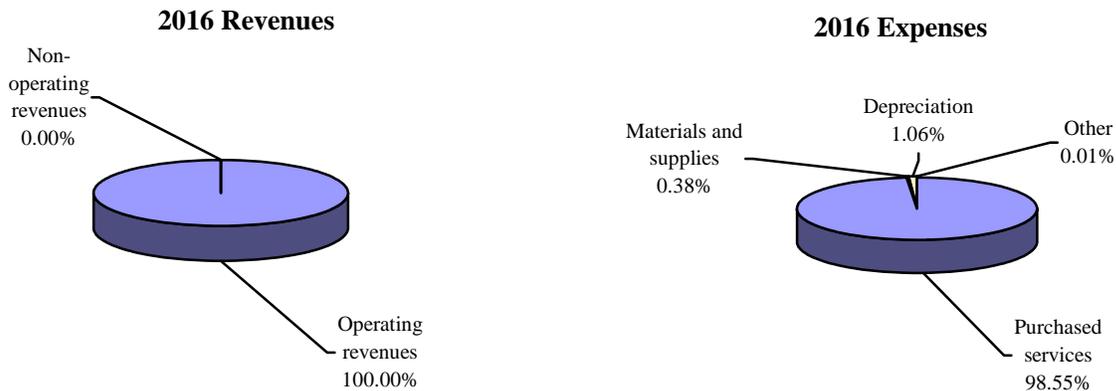
The table below shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Change in Net Position

	2016	2015
<u>Operating revenues:</u>		
State Foundation	\$ 609,680	\$ 527,746
Special education	47,224	111,301
Other	43,708	46,276
Total operating revenues	700,612	685,323
<u>Operating expenses:</u>		
Purchased services	632,639	675,651
Materials and supplies	2,415	55,639
Depreciation	6,807	37,327
Other	76	84
Total operating expenses	641,937	768,701
<u>Non-operating revenues:</u>		
Interest revenue	5	238
Total non-operating revenues	5	238
Change in net position	58,680	(83,140)
Net position at beginning of year	787,202	870,342
Net position at end of year	\$ 845,882	\$ 787,202

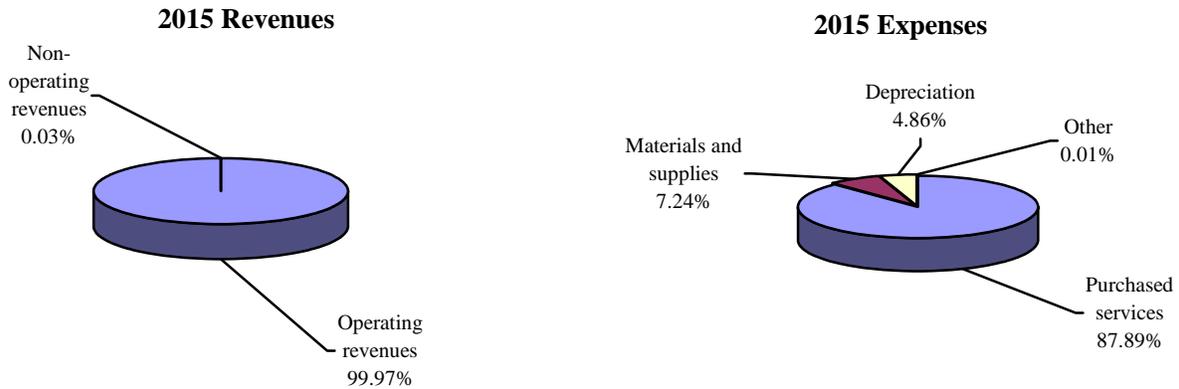
The Learning Center's main source of revenue is the State Foundation revenue, in an amount based upon the number of students attending the Learning Center. The Learning Center had 100 students in fiscal year 2016 compared to 87 in 2015. Most of the Learning Center's expenses are for purchased services; these expenses are primarily payments to the Learning Center's Sponsor (the Oregon City School District). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the Learning Center. In addition, the Sponsor provides personnel services to the Learning Center under a purchased services basis. See Notes 7 and 11 in the notes to the basic financial statements for more detail on purchased services and the Sponsorship Contract.

The graphs below illustrate the revenues and expenses for the Learning Center for fiscal years 2016 and 2015.



**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



Capital Assets

At June 30, 2016, the Learning Center had \$16,042 invested in leasehold improvements, computer equipment and software, net of accumulated depreciation. There were no capital asset acquisitions or disposals during the year and depreciation expense totaled \$6,807. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Learning Center is sponsored by the Oregon City School District. The Learning Center is reliant primarily upon State Foundation monies to offer quality educational services to students.

In order to continually provide learning opportunities to the Learning Center's students, the Learning Center will apply financial resources to best meet the needs of its students. It is the intent of the Learning Center to apply for other State and federal funds that are made available to finance its operations.

Contacting the Learning Center's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Learning Center's finances and to show the Learning Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jane Fruth, Treasurer, Eagle Learning Center, Inc., 5721 Seaman Rd., Oregon, Ohio 43616.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 872,762
Intergovernmental receivable	659
Prepayments	4,389
Total current assets.	877,810
Noncurrent assets:	
Capital assets, net	16,042
Total assets.	893,852
Liabilities:	
Current liabilities:	
Accounts payable	789
Intergovernmental payable	47,181
Total liabilities	47,970
Net position:	
Investment in capital assets.	16,042
Restricted for state funded programs	10,000
Unrestricted.	819,840
Total net position	\$ 845,882

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
State Foundation	\$ 609,680
Special education	47,224
Other	43,708
Total operating revenues	<u>700,612</u>
 Operating expenses:	
Purchased services.	632,639
Materials and supplies	2,415
Depreciation	6,807
Other.	76
Total operating expenses.	<u>641,937</u>
 Operating income	 <u>58,675</u>
 Non-operating revenues:	
Interest income.	<u>5</u>
 Change in net position	 58,680
 Net position at beginning of year.	 <u>787,202</u>
 Net position at end of year	 <u><u>\$ 845,882</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from State Foundation	\$ 616,733
Cash received from special education	47,224
Cash received from other operations.	43,808
Cash payments to suppliers for goods and services	(631,015)
Cash payments for materials and supplies	(2,415)
Cash payments for other expenses	<u>(250)</u>
Net cash provided by operating activities	<u>74,085</u>
Cash flows from investing activities:	
Interest received	<u>5</u>
Net increase in cash and cash equivalents	74,090
Cash and cash equivalents at beginning of year	<u>798,672</u>
Cash and cash equivalents at end of year	<u><u>\$ 872,762</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 58,675
Adjustments:	
Depreciation.	6,807
Changes in assets and liabilities:	
Increase in intergovernmental receivable	(659)
Increase in prepayments	(199)
Increase in accounts payable.	190
Increase in intergovernmental payable.	<u>9,271</u>
Net cash provided by operating activities	<u><u>\$ 74,085</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE LEARNING CENTER

The Eagle Learning Center, Inc. (the "Learning Center") was established pursuant to Ohio Revised Code Chapter 3314 to establish a new conversion school in Oregon City School District (the "Sponsor") addressing the needs of students in grades 9 through 12. The Learning Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Learning Center may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Learning Center. The Learning Center is considered a component unit of the Oregon City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34".

The Learning Center is designed to meet the academic needs of high school students, grades 9 through 12, ages 16 through 22 (for regular education students) or ages 16 through 23 (for special education students), who are unsuccessful in the traditional educational setting. Typically, they are identified as students with special needs or are "at highest risk" for academic failure. Even with such significant issues, these students have a desire for an education when presented in a manner that can optimize learning. This can be done in an environment that does not include most ancillary components of a more traditional education. The objective of the Learning Center is to assist students in attaining a high school diploma by providing students: a curriculum delivery system that allows for individualized self-paced instruction, flexible operational hours that accommodate student work/family schedules, an opportunity to participate in career technical training programs available at the Sponsor's high school facility, assistance in job placement, and one-on-one social-emotional support necessary to assist students in overcoming obstacles to success. Enrollment is limited to students within the attendance area of the Sponsor. The Learning Center uses the services of the Sponsor to assist with overall operations.

The Learning Center was approved under contract with the Sponsor for a period of five years commencing July 1, 2006 through June 30, 2011. This contract was amended in 2011 for an additional five years. See Note 11 for detail on the Sponsorship Contract. The Sponsor is responsible for evaluating the performance of the Learning Center and has the authority to deny renewal of the contract at its expiration. The Learning Center began operations on September 11, 2006 and provides services to approximately 100 students.

The Learning Center operates under the direction of a nine-member Board of Directors (the "Governing Authority"). The Governing Authority is composed of the following voting members: Superintendent of the Sponsor, Career Technical Director/Principal of the Sponsor, another Sponsor representative, a public educator who is not currently either an officer or employee of the Sponsor, two persons who are officers or employees of a public office, board or agency that operates in Lucas County and has substantial interaction with the public schools who are neither an officer or employee of the Sponsor, and one person who represents the interests of parents and students served by the Learning Center. In addition to the seven voting members, the Governing Authority shall also include two non-voting members who are active in the business community or other civic, governmental, educational, or charitable activities and who can provide valuable guidance and assistance to the Learning Center. The Sponsor may, from time to time, at its discretion, substitute other administrative positions for the first three positions listed above that are employees of the Sponsor. The Governing Authority 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.

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Learning Center 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 Learning Center'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.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows are included on the statement of net position. 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 Chapter 5705, unless specifically provided in the Learning Center's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Learning Center 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 Chapter 5705.

D. Cash

All monies received by the Learning Center are accounted for by the Learning Center's fiscal agent, the Oregon City School District. Cash received by the fiscal agent is maintained in separate bank accounts and a certificate of deposit in the Learning Center's name.

E. Capital Assets

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 Learning Center maintains a capitalization threshold of \$1,000. The Learning Center 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.

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over three years and leasehold improvements are depreciated over ten years.

F. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Learning Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Learning Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Intergovernmental Revenue

The Learning Center currently participates in the State Foundation Program through the Ohio Department of Education. Revenues from these programs are recognized as operating revenue in the accounting period in which they are earned, essentially the same as the fiscal year.

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 Learning Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Learning Center on a reimbursement basis. The Learning Center did not receive any Federal or State grants in fiscal year 2016.

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the Learning Center and the expense is recorded when used. The Learning Center has prepaid items for rent, computer support services, employee bonds and commercial insurance of \$4,389 at June 30, 2016.

I. Operating Revenues and Expenses

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

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

J. 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the Learning Center has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Learning Center.

NOTE 4 - DEPOSITS

The Learning Center had \$50 in undeposited cash on hand which is included on the financial statements as part of "cash and cash equivalents".

At June 30, 2016, the carrying amount of the Learning Center's deposits was \$872,712. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$282,305 of the Learning Center's bank balance of \$874,429 was exposed to custodial risk as discussed below, while \$592,124 was covered by the Federal Deposit Insurance Corporation (FDIC).

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Learning Center'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 Learning Center. The Learning Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Learning Center to a successful claim by the FDIC.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>06/30/2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/2016</u>
Furniture, fixtures and equipment	\$ 117,224	\$ -	\$ -	\$ 117,224
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(157,564)</u>	<u>(6,807)</u>	<u>-</u>	<u>(164,371)</u>
Capital assets, net	<u>\$ 22,849</u>	<u>\$ (6,807)</u>	<u>\$ -</u>	<u>\$ 16,042</u>

NOTE 6 - OPERATING LEASE

The Learning Center signed an operating lease for the period January 1, 2016 through December 31, 2017, with Free Realty Company to lease additional facility space, with the option to renew the lease for an additional one year provided notice of election of this option is provided to the lessor in writing at least sixty days prior to termination of this period.

Payments made in fiscal year 2016 for the operating lease totaled \$19,200. The future minimum lease payments required under the lease at June 30, 2016 are \$27,200, which are to be paid during fiscal years 2017 and 2018. A \$1,600 prepayment is recorded on the statement of net position for July rent which was paid in June.

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - PURCHASED SERVICES

For fiscal year 2016, purchased services expenses were as follows:

Professional and technical services	\$ 1,162
Instructional services	319,869
Secretarial services	105,876
Administrative	68,815
Computer support services	69,443
Other professional and technical services	5,663
Property services	29,195
Travel mileage/meeting expense	294
Advertising	23,302
Utilities	<u>9,020</u>
Total	<u>\$ 632,639</u>

NOTE 8 - RISK MANAGEMENT

The Learning Center 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. The Learning Center has purchased a comprehensive property, casualty and liability insurance policy through First Insurance Group, with the following coverages:

General School District Liability:	
Per occurrence	\$ 1,000,000
Aggregate	2,000,000
Building and Contents	Replacement cost
Umbrella Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

NOTE 9 - CONTINGENCIES

A. Litigation

The Learning Center is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

B. State Funding

The Ohio Department of Education (ODE) 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. As a result of the review after fiscal year-end, the Center owed \$16,205 to ODE. This amount will be repaid by decreasing fiscal year 2017 foundation revenues and is recorded as an intergovernmental payable on the basic financial statements.

**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - RELATED PARTY TRANSACTIONS

For fiscal year 2016, the Learning Center had expenses for purchased services and materials and supplies of \$531,437 to their Sponsor, which includes an intergovernmental payable of \$30,155.

NOTE 11 - SPONSORSHIP CONTRACT

On October 24, 2011 the Sponsor and the Learning Center extended their Sponsorship Contract (the "Contract") for a period of five more years through June 30, 2017. In accordance with the Contract, the Sponsor, under a purchased services basis with the Learning Center, will provide planning, instructional, administrative and technical services to the Learning Center. Personnel providing services to the Learning Center on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions.

Under the terms of the Contract, the Learning Center is required to pay the Sponsor 3% from the funding provided to the Learning Center by the Ohio Department of Education as an oversight and monitoring (administrative) fee. In addition, in the event that the Sponsor provides substantially all of the special education and services required by an individualized education program, the Learning Center shall pay the Sponsor the funds the Learning Center received from the Ohio Department of Education on account of such student, except that the Learning Center may retain sufficient funds to cover its actual costs related to such student, if any. Any other payments from the Learning Center to the Sponsor shall be mutually agreed upon between the Learning Center and the Sponsor.

NOTE 12 - SPONSOR REVIEW

The Ohio Department of Education (ODE) performed a review on the Learning Center's sponsor and deemed them inefficient. Due to this determination, the Learning Center may be required to cease future operations. The Learning Center has filed an appeal and as of the report date, the outcome of the appeal and future of the Learning Center is unknown.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Eagle Learning Center, Inc.
Lucas County
5721 Seaman Road
Oregon, Ohio 43616-2631

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Eagle Learning Center, Lucas County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Eagle Learning Center's basic financial statements and have issued our report thereon dated November 22 2016, wherein we noted the Eagle Learning Center is a component unit of Oregon City School District. We also noted as discussed in Note 12, the Eagle Learning Center's sponsor was deemed ineffective.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Eagle Learning Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Eagle Learning Center's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Eagle Learning Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Directors
Eagle Learning Center, Inc.

Compliance and Other Matters

As part of reasonably assuring whether the Eagle Learning Center'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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Eagle Learning Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Eagle Learning Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 22, 2016



Dave Yost • Auditor of State

EAGLE LEARNING CENTER, INC.

LUCAS 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
JANUARY 31, 2017**