



**EAGLE LEARNING CENTER  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



EAGLE LEARNING CENTER  
LUCAS COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Eagle Learning Center  
Lucas County  
5721 Seaman Street  
Oregon, Ohio 43616-2631

To the Board of Directors:

We have audited the accompanying basic financial statements of the Eagle Learning Center, Lucas County, (the Learning Center) a component unit of Oregon City School District, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Learning Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eagle Learning Center, Lucas County, as of June 30, 2008, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 20, 2009

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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, 2008. 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 2008 are as follows:

- In total, net assets were \$209,274 at June 30, 2008.
- The Learning Center had operating revenues of \$792,623, and operating expenses of \$612,869 for fiscal year 2008. Total change in net assets for the period was an increase of \$179,754.

**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 assets and statement of revenues, expenses and changes in net assets 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Learning Center's net assets and changes in those assets. This change in net assets 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. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Learning Center finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The table below provides a summary of the Learning Center's net assets at June 30, 2008 and 2007.

	<b>Net Assets</b>	
	2008	2007
<b><u>Assets:</u></b>		
Current assets	\$ 229,226	\$ 90,980
Non-current assets:		
Capital assets, net	10,648	2,466
Total assets	239,874	93,446
<b><u>Liabilities:</u></b>		
Current liabilities	30,600	63,926
Total liabilities	30,600	63,926
<b><u>Net assets:</u></b>		
Invested in capital assets	10,648	2,466
Unrestricted	198,626	27,054
Total net assets	\$ 209,274	\$ 29,520

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Learning Center's net assets totaled \$209,274. A balance of \$198,626 was unrestricted in use.

Current assets totaled \$229,226. Cash and cash equivalents amounted to \$219,648. The most significant current liabilities are \$18,981 payable to Innovative Learning Solutions (ILS) for consulting services and \$9,680 payable to Oregon City School District for services rendered.

At year-end, capital assets represented 4.44% of total assets. Capital assets consisted of 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.



**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The table below shows the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

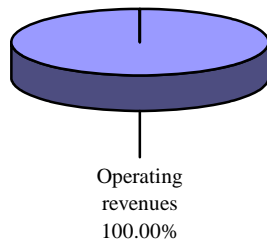
**Change in Net Assets**

	<u>2008</u>	<u>2007</u>
<b><u>Operating revenues:</u></b>		
State foundation	\$ 745,000	\$ 326,892
Special education	37,803	30,780
Other	<u>9,820</u>	<u>4,955</u>
Total operating revenue	<u>792,623</u>	<u>362,627</u>
<b><u>Operating expenses:</u></b>		
Purchased services	498,288	299,692
Materials and supplies	111,798	83,015
Depreciation	<u>2,783</u>	<u>400</u>
Total operating expenses	<u>612,869</u>	<u>383,107</u>
<b><u>Non-operating revenues:</u></b>		
State grants	<u>-</u>	<u>50,000</u>
Total non-operating revenues	<u>-</u>	<u>50,000</u>
Change in net assets	179,754	29,520
Net assets at beginning of year	<u>29,520</u>	<u>-</u>
Net assets at end of year	<u>\$ 209,274</u>	<u>\$ 29,520</u>

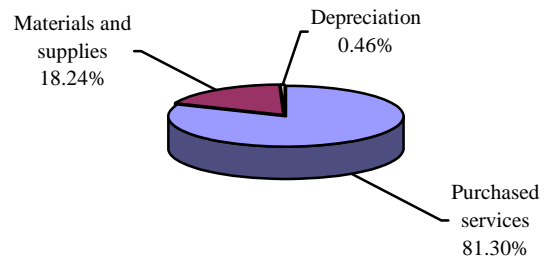
The Learning Center receives State Foundation revenues based upon the number of students attending the Learning Center. The purchase services expenses are primarily payments to the Learning Center's Sponsor (the Oregon City School District) and Innovative Learning Solutions (ILS). The Sponsor, under 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. ILS provides consulting services related to the operations of the Learning Center.

The graphs below illustrate the revenues and expenses for the Learning Center for fiscal years 2008 and 2007.

**2008 Revenues**

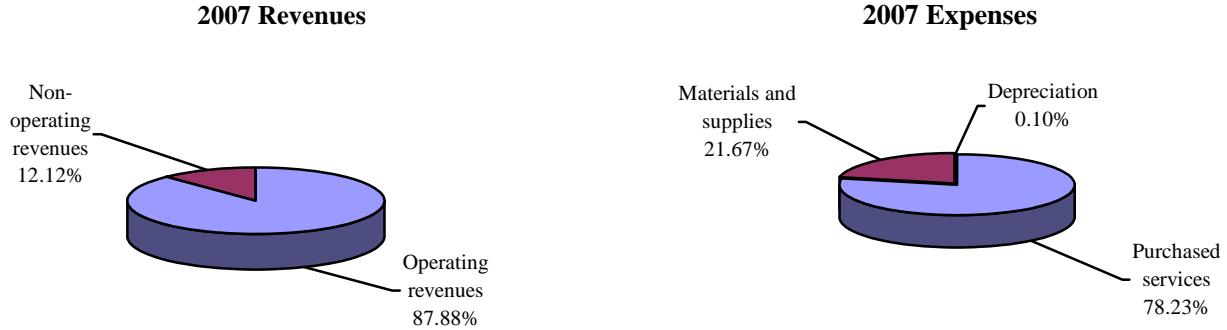


**2008 Expenses**



**EAGLE LEARNING CENTER, INC.**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)



**Capital Assets**

At June 30, 2008, the Learning Center had \$10,648 invested in computer equipment and software. See Note 5 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 upon State Foundation monies and State and Federal Grants 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., 5271 Seaman St., Oregon, Ohio 43616-2631.

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents. . . . .	\$ 219,648
Receivables:	
Intergovernmental. . . . .	8,778
Prepayments . . . . .	800
Total current assets . . . . .	<u>229,226</u>
Non-current assets:	
Capital assets, net. . . . .	<u>10,648</u>
Total assets . . . . .	<u>239,874</u>
<b>Liabilities:</b>	
Current:	
Accounts payable . . . . .	20,720
Intergovernmental payable. . . . .	<u>9,880</u>
Total liabilities . . . . .	<u>30,600</u>
<b>Net assets:</b>	
Invested in capital assets . . . . .	10,648
Unrestricted. . . . .	<u>198,626</u>
Total net assets . . . . .	<u>\$ 209,274</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

<b>Operating revenues:</b>	
State foundation. . . . .	\$ 745,000
Special education. . . . .	37,803
Other. . . . .	<u>9,820</u>
 Total operating revenues . . . . .	 <u>792,623</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	498,288
Materials and supplies . . . . .	111,798
Depreciation . . . . .	<u>2,783</u>
Total operating expenses. . . . .	<u>612,869</u>
 Change in net assets . . . . .	 179,754
 <b>Net assets at beginning of year . . . . .</b>	 <u>29,520</u>
<b>Net assets at end of year . . . . .</b>	<b><u><u>\$ 209,274</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Cash flows from operating activities:</b>		
Cash received from State foundation. . . . .	\$	705,084
Cash received from special education. . . . .		37,803
Cash received from other operations . . . . .		10,480
Cash payments to suppliers for goods and services . .		(501,032)
Cash payments for materials and supplies . . . . .		(112,042)
		<hr/>
Net cash provided by operating activities . . . . .		140,293
		<hr/>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .		(10,965)
		<hr/>
Net cash used in capital and related financing activities . . . . .		(10,965)
		<hr/>
Net increase in cash and cash equivalents . . . . .		129,328
		<hr/>
<b>Cash and cash equivalents at beginning of year. . . .</b>		<b>90,320</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$</b>	<b>219,648</b>
		<hr/> <hr/>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	179,754
Adjustments:		
Depreciation. . . . .		2,783
Changes in assets and liabilities:		
Decrease in accounts receivable . . . . .		660
(Increase) in intergovernmental receivable. . . . .		(8,778)
(Increase) in prepaid assets. . . . .		(800)
Increase in accounts payable. . . . .		18,301
(Decrease) in intergovernmental payable. . . . .		(51,627)
		<hr/>
Net cash provided by operating activities . . . . .	\$	140,293
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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”.

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 are 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 14 career technical training programs available at the new Sponsor 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 after which, the Learning Center must apply for an additional contract with the Sponsor (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 144 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 representation, 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.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 1 - DESCRIPTION OF THE LEARNING CENTER - (Continued)**

In addition to the Sponsorship Contact, the Learning Center has also entered into an agreement with Innovative Learning Solutions (ILS) to provide consulting services (see Note 12).

**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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Learning Center has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. 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 all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code 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. All cash received by the fiscal agent is maintained in a separate bank account in the Learning Center's name.

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**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.

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

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Learning Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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.

**H. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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 of \$800 at June 30, 2008.

**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.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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 2008, the Learning Center has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Learning Center.

**NOTE 4 - DEPOSITS**

At June 30, 2008, the carrying amount of the Learning Center's deposits was \$219,648. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$159,331 of the Learning Center's bank balance of \$259,331 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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, 2008, was as follows:

	<u>Balance at</u> <u>06/30/2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>06/30/2008</u>
Furniture, fixtures and equipment	\$ 2,866	\$ 10,965	\$ -	\$ 13,831
Less: accumulated depreciation	<u>(400)</u>	<u>(2,783)</u>	<u>-</u>	<u>(3,183)</u>
Capital assets, net	<u>\$ 2,466</u>	<u>\$ 8,182</u>	<u>\$ -</u>	<u>\$ 10,648</u>

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - OPERATING LEASE**

The Learning Center signed an operating lease for the period June 1, 2007 through June 1, 2008, with Free Realty Company to lease a school facility, 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. This option was taken and the lease was renewed for the period of June 1, 2008 through June 1, 2009.

Payments made in fiscal year 2008 for the lease period ending June 1, 2008 totaled \$8,800.

The future minimum payments required under the operating lease at June 30, 2008 are \$8,800, which are to be paid during fiscal year 2009. An \$800 prepayment is recorded on the statement of net assets for July rent which was paid in June.

**NOTE 7 - PURCHASED SERVICES**

For fiscal year 2008, purchased services expenses were as follows:

Professional and technical services	\$ 441,996
Property services	28,483
Travel, mileage and meetings	6,924
Communications	<u>20,885</u>
Total	<u>\$ 498,288</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. For fiscal year 2008, the Learning Center was named on the Sponsor's policy for property and general liability insurance.

Settled claims of the Sponsor did not exceed this commercial coverage during fiscal year 2008.

**NOTE 9 - CONTINGENCIES**

**A. Grants**

The Learning Center received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 Learning Center at June 30, 2008.

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 – CONTINGENCIES - (Continued)**

**B. 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.

**C. 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. The Learning Center has had a review for fiscal year 2008, which resulted in the ODE owing \$8,778 to the Learning Center. This amount has been recorded as an intergovernmental receivable at June 30, 2008. This amount was paid to the Learning Center with the November, 2008 Foundation settlement.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

For fiscal year 2008, the Learning Center had expenses for purchased services and materials and supplies of \$345,487 to their Sponsor, which includes an intergovernmental payable of \$9,680.

**NOTE 11 - SPONSORSHIP CONTRACT**

On March 11, 2006, the Sponsor and the Learning Center entered into a Sponsorship Contract (the "Contract"). 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 three percent (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 - ILS AGREEMENT**

On May 15, 2006, the Sponsor entered into an agreement with Innovative Learning Solutions (ILS) for the performance of consulting services related to the formation and operation of the Learning Center (hereafter "the Agreement"). The Agreement covers the period May 15, 2006 through August 31, 2011 and shall automatically renew for successive five year terms, unless either party provides thirty (30) day written notice to the other party prior to the termination of the applicable or initial term. The Agreement can be terminated at any time upon the written approval of both parties.

**EAGLE LEARNING CENTER, INC.**  
**(A Component Unit of Oregon City School District)**  
**LUCAS COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - ILS AGREEMENT - (Continued)**

Under the Agreement, ILS will perform consulting services including, but not limited to, the following: contract negotiations (vendor, bargaining unit, etc.), Sponsor contract, educational plan, Federal and State grant writing, and other consulting services desired by the Learning Center. As compensation for the consulting services, ILS shall be compensated as follows:

1. The sum of 12% of all gross Learning Center average daily membership (ADM) funds payable in monthly installments commencing September, 2007 and continuing monthly thereafter during the term of the Agreement; and
2. A fee of \$50,000 for the initial set-up and administration of the community school process. This fee is contingent upon the Learning Center receiving a Federal grant in the amount of \$100,000 or more within the first two years of this Agreement. Such payment will be due and payable upon receipt of the Federal grant by the Learning Center.

For fiscal year 2008, the Learning Center had \$93,990 in expenses to ILS, which includes accounts payable of \$18,981.

**NOTE 13 - RECEIVABLES**

At June 30, 2008, receivables consisted of intergovernmental revenue which is considered collectible within one year and presented on the statement of net assets in the amount of \$8,778.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Eagle Learning Center  
Lucas County  
5721 Seaman Street  
Oregon, Ohio 43616-2631

To the Board of Directors:

We have audited the basic financial statements of Eagle Learning Center, Lucas County, (the Learning Center) as of and for the year ended June 30, 2008 and have issued our report thereon dated May 20, 2009. 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 Learning Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Learning Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Learning Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Learning Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Learning Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Learning Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Learning Center's management in a separate letter dated May 20, 2009.

### Compliance and Other Matters

As part of reasonably assuring whether the 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Learning Center's management in a separate letter dated May 20, 2009.

We intend this report solely for the information and use of management, the Board of Directors and the Learning Center's sponsor. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 20, 2009



Mary Taylor, CPA  
Auditor of State

**EAGLE LEARNING CENTER**

**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  
JUNE 23, 2009**