

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

**BASIC FINANCIAL STATEMENTS**

*(AUDITED)*

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017*

**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, 2016 through June 30, 2017. 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 8, 2018

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

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# 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

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, 2017, 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, 2017, and the respective changes in financial position and its cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***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 27, 2017, 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 27, 2017



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017 are as follows:

- In total, net position was \$581,697 at June 30, 2017.
- The Learning Center had operating revenues of \$406,966 and operating expenses of \$671,177 for fiscal year 2017. The Learning Center also had non-operating revenues consisting of interest income in the amount of \$26 for fiscal year 2017. The total change in net position for the period was a decrease of \$264,185.

**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 2017?" 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, 2017

The table below provides a summary of the Learning Center's net position at June 30, 2017 and 2016.

	<b>Net Position</b>	
	<u>2017</u>	<u>2016</u>
<b><u>Assets:</u></b>		
Current assets	\$ 859,730	\$ 877,810
Non-current assets:		
Capital assets, net	<u>9,478</u>	<u>16,042</u>
Total assets	<u>869,208</u>	<u>893,852</u>
<b><u>Liabilities:</u></b>		
Current liabilities	150,781	47,970
Long-term liabilities:		
Intergovernmental payable	<u>136,730</u>	<u>-</u>
Total liabilities	<u>287,511</u>	<u>47,970</u>
<b><u>Net position:</u></b>		
Investment in capital assets	9,478	16,042
Restricted	10,000	10,000
Unrestricted	<u>562,219</u>	<u>819,840</u>
Total net position	<u>\$ 581,697</u>	<u>\$ 845,882</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Learning Center's net position totaled \$581,697.

Current assets totaled \$859,730, which consists of cash and cash equivalents of \$818,537, and prepayments of \$41,193. The most significant liability is a \$250,672 payable to the Ohio Department of Education (ODE), \$136,730 of which is reported as a long-term liability. This liability resulted from the ODE's full-time equivalent (FTE) review of the Learning Center's enrollment data and will be repaid by reducing State Foundation revenue in fiscal years 2018 and 2019.

At year-end, net capital assets represented 1.09% 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 \$562,219.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

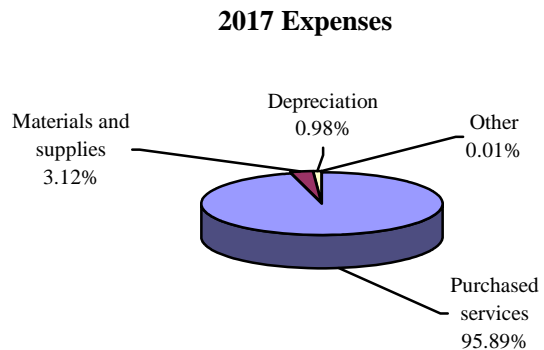
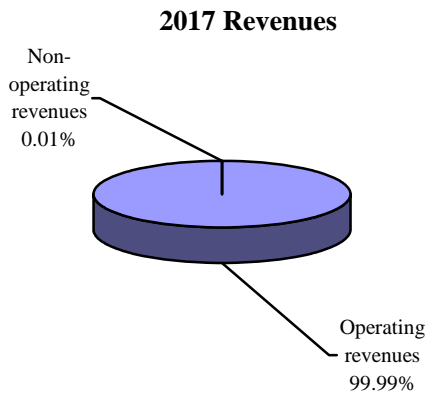
The table below shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

**Change in Net Position**

	<u>2017</u>	<u>2016</u>
<b><u>Operating revenues:</u></b>		
State Foundation	\$ 282,082	\$ 609,680
Special education	84,434	47,224
Other	<u>40,450</u>	<u>43,708</u>
Total operating revenues	<u>406,966</u>	<u>700,612</u>
<b><u>Operating expenses:</u></b>		
Purchased services	643,610	632,639
Materials and supplies	20,913	2,415
Depreciation	6,564	6,807
Other	<u>90</u>	<u>76</u>
Total operating expenses	<u>671,177</u>	<u>641,937</u>
<b><u>Non-operating revenues:</u></b>		
Interest revenue	<u>26</u>	<u>5</u>
Total non-operating revenues	<u>26</u>	<u>5</u>
Change in net position	(264,185)	58,680
Net position at beginning of year	<u>845,882</u>	<u>787,202</u>
Net position at end of year	<u>\$ 581,697</u>	<u>\$ 845,882</u>

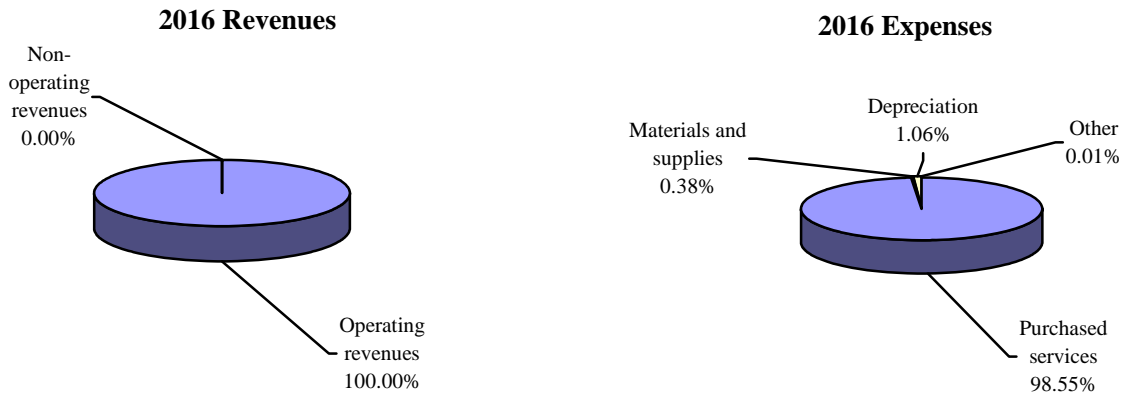
The Learning Center's main source of revenue is the State Foundation revenue, in an amount based upon the number of students attending the Learning Center. The Learning Center had 57 students in fiscal year 2017 compared to 100 in 2016. Most of the Learning Center's expenses are for purchased services; 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 8 and 12 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 2017 and 2016.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**Capital Assets**

At June 30, 2017, the Learning Center had \$9,478 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 \$6,564. 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, 2017

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents. . . . .	\$ 818,537
Prepayments . . . . .	41,193
Total current assets. . . . .	859,730
Noncurrent assets:	
Capital assets, net . . . . .	9,478
Total assets. . . . .	869,208
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	678
Intergovernmental payable. . . . .	150,103
Total current liabilities . . . . .	150,781
Noncurrent liabilities:	
Intergovernmental payable. . . . .	136,730
Total liabilities . . . . .	287,511
<b>Net position:</b>	
Investment in capital assets. . . . .	9,478
Restricted for state funded programs . . . . .	10,000
Unrestricted. . . . .	562,219
Total net position . . . . .	\$ 581,697

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, 2017

<b>Operating revenues:</b>	
State Foundation . . . . .	\$ 282,082
Special education . . . . .	84,434
Other . . . . .	40,450
Total operating revenues . . . . .	<u>406,966</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	643,610
Materials and supplies . . . . .	20,913
Depreciation . . . . .	6,564
Other. . . . .	90
Total operating expenses. . . . .	<u>671,177</u>
 Operating loss . . . . .	 <u>(264,211)</u>
 <b>Non-operating revenues:</b>	
Interest income. . . . .	<u>26</u>
 Change in net position . . . . .	 (264,185)
 <b>Net position at beginning of year. . . . .</b>	 <u>845,882</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 581,697</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, 2017

<b>Cash flows from operating activities:</b>	
Cash received from State Foundation . . . . .	\$ 516,549
Cash received from special education . . . . .	84,434
Cash received from other operations. . . . .	40,350
Cash payments to suppliers for goods and services . . . . .	(637,932)
Cash payments for materials and supplies . . . . .	<u>(57,652)</u>
Net cash used in operating activities . . . . .	<u>(54,251)</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>26</u>
Net decrease in cash and cash equivalents . . . . .	(54,225)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>872,762</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 818,537</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (264,211)
Adjustments:	
Depreciation. . . . .	6,564
Changes in assets and liabilities:	
Decrease in intergovernmental receivable . . . . .	659
Increase in prepayments . . . . .	(36,804)
Decrease in accounts payable . . . . .	(111)
Increase in intergovernmental payable. . . . .	<u>239,652</u>
Net cash used in operating activities . . . . .	<u><u>\$ (54,251)</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, 2017

**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 commencing July 1, 2006 through June 30, 2012. This contract was amended in 2011 for an additional five years. See Note 12 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 57 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, 2017

**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 acquisition cost 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, 2017

**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 “net 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 2017.

**H. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2017 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 \$41,193 at June 30, 2017.

**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, 2017

**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 2017, the Learning Center has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 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".

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS - (Continued)**

At June 30, 2017, the carrying amount of the Learning Center's deposits was \$818,487. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$252,851 of the Learning Center's bank balance of \$821,573 was exposed to custodial risk as discussed below, while \$568,722 was covered by the Federal Deposit Insurance Corporation (FDIC).

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, 2017, was as follows:

	Balance <u>06/30/2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/2017</u>
Furniture, fixtures and equipment	\$ 117,224	\$ -	\$ -	\$ 117,224
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(164,371)</u>	<u>(6,564)</u>	<u>-</u>	<u>(170,935)</u>
Capital assets, net	<u>\$ 16,042</u>	<u>\$ (6,564)</u>	<u>\$ -</u>	<u>\$ 9,478</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

Long-term obligations at June 30, 2017 consist of \$250,672 owed to the Ohio Department of Education as a result of the full-time equivalent (FTE) enrollment review for fiscal year 2017. This amount will be repaid over a two year period by reducing the Learning Center's Foundation revenue in fiscal years 2018 and 2019. See Note 10.B for more detail on the FTE review.

During fiscal year 2017, the Learning Center had the following activity in long-term obligations:

	Balance <u>06/30/2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/2017</u>	Due in <u>One Year</u>
Intergovernmental payable	<u>\$ -</u>	<u>\$ 250,672</u>	<u>\$ -</u>	<u>\$ 250,672</u>	<u>\$ 113,942</u>

**NOTE 7 - 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 7 - OPERATING LEASE - (Continued)**

Payments made in fiscal year 2017 for the operating lease totaled \$19,200. The future minimum lease payments required under the lease at June 30, 2017 are \$8,000, which are to be paid during fiscal year 2018. A \$1,600 prepayment is recorded on the statement of net position for July rent which was paid in June.

**NOTE 8 - PURCHASED SERVICES**

For fiscal year 2017, purchased services expenses were as follows:

Professional and technical services	\$ 1,933
Instructional services	307,675
Secretarial services	112,652
Administrative	75,775
Computer support services	66,198
Other professional and technical services	13,765
Property services	31,033
Travel mileage/meeting expense	283
Advertising	25,450
Utilities	<u>8,846</u>
Total	<u>\$ 643,610</u>

**NOTE 9 - 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 10 - 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 10 - CONTINGENCIES - (Continued)**

**B. Foundation Funding**

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Revised Code Section 3314.08, ODE may also perform a FTE review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Learning Center for fiscal year 2017.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Learning Center.

In addition, the Learning Center's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the Learning Center.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

For fiscal year 2017, the Learning Center had expenses for purchased services and materials and supplies of \$532,042 to their Sponsor, which includes an intergovernmental payable of \$36,161.

**NOTE 12 - 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - SUBSEQUENT EVENT**

The Learning Center's sponsorship contract with Oregon City School District expired on June 30, 2017. Effective July 1, 2017, the Ohio Department of Education is the Learning Center's sponsor.





## **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, 2017, 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 27 2017, wherein we noted the Eagle Learning Center is a component unit of Oregon City School District.

#### ***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 report is not suitable for any other purpose.

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

Julian & Grube, Inc.  
November 27, 2017



# 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 23, 2018**