

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

BASIC FINANCIAL STATEMENTS

(AUDITED)

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Eagle Learning Center, Inc., Lucas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. 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, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 4, 2019

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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, as of and for the fiscal year ended June 30, 2018, 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, 2018, 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 December 14, 2018, 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.

Julian & Grube, Inc.
December 14, 2018

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 2018 are as follows:

- In total, net position was \$479,580 at June 30, 2018. This represents a decrease of \$102,117 or 17.6% compared to the prior year.
- The Learning Center had operating revenues of \$448,996 and operating expenses of \$551,937 for fiscal year 2018. The Learning Center also had non-operating revenues consisting of interest income in the amount of \$824 for fiscal year 2018.

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 2018?" 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, 2018

The table below provides a summary of the Learning Center's net position at June 30, 2018 and 2017.

	Net Position	
	<u>2018</u>	<u>2017</u>
<u>Assets:</u>		
Current assets	\$ 614,682	\$ 859,730
Non-current assets:		
Capital assets, net	<u>3,159</u>	<u>9,478</u>
Total assets	<u>617,841</u>	<u>869,208</u>
<u>Liabilities:</u>		
Current liabilities	138,261	150,781
Long-term liabilities:		
Intergovernmental payable	<u>-</u>	<u>136,730</u>
Total liabilities	<u>138,261</u>	<u>287,511</u>
<u>Net position:</u>		
Investment in capital assets	3,159	9,478
Restricted	10,000	10,000
Unrestricted	<u>466,421</u>	<u>562,219</u>
Total net position	<u>\$ 479,580</u>	<u>\$ 581,697</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the Learning Center's net position totaled \$479,580.

Current assets totaled \$614,682, which consists of cash and cash equivalents of \$577,201, an intergovernmental receivable of \$16,421, and prepayments of \$21,060. The most significant liability is a \$136,730 payable to the Ohio Department of Education (ODE). 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 year 2019.

At year-end, net capital assets represented 0.5% of total assets. Capital assets consisted of leasehold improvements, furniture, fixtures and equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending, 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 \$466,421.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

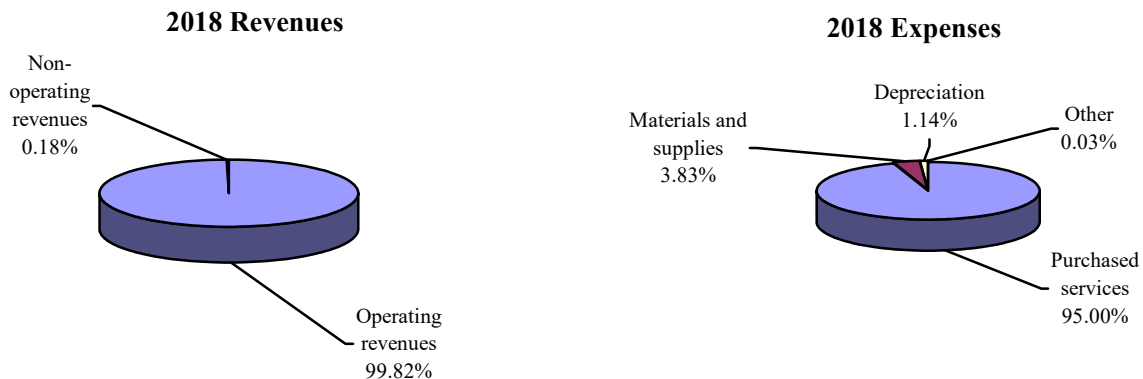
The table below shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Change in Net Position

	<u>2018</u>	<u>2017</u>
<u>Operating revenues:</u>		
State Foundation	\$ 365,142	\$ 282,082
Special education	51,105	84,434
Other	<u>32,749</u>	<u>40,450</u>
Total operating revenues	<u>448,996</u>	<u>406,966</u>
<u>Operating expenses:</u>		
Purchased services	524,309	643,610
Materials and supplies	21,142	20,913
Depreciation	6,319	6,564
Other	<u>167</u>	<u>90</u>
Total operating expenses	<u>551,937</u>	<u>671,177</u>
<u>Non-operating revenues:</u>		
Interest revenue	<u>824</u>	<u>26</u>
Total non-operating revenues	<u>824</u>	<u>26</u>
Change in net position	(102,117)	(264,185)
Net position at beginning of year	<u>581,697</u>	<u>845,882</u>
Net position at end of year	<u>\$ 479,580</u>	<u>\$ 581,697</u>

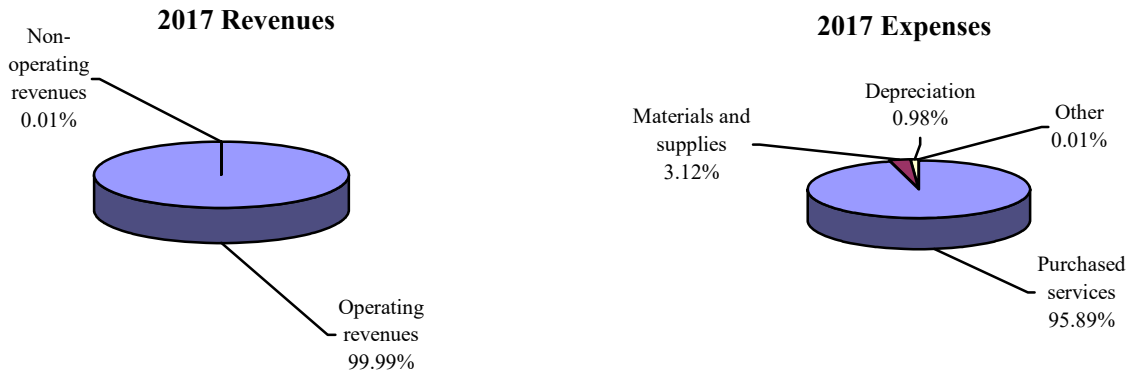
The Learning Center's main source of revenue is the State Foundation revenue, in an amount based upon the number of FTE (full time equivalent) students attending the Learning Center. The Learning Center's FTE was 55 and 57 in fiscal years 2018 and 2017, respectively. Despite this slight decrease, State Foundation revenue was higher in 2018 due to a significant negative adjustment in 2017 related to prior years' FTE adjustments. Most of the Learning Center's expenses are for purchased services; these expenses are primarily payments made under a services agreement with the Oregon City School District (the "District"). The District provides instructional, administrative, technical and personnel services to the Learning Center under a purchased services basis. See Note 8 in the notes to the basic financial statements for more detail on purchased services expenses.

The graphs below illustrate the revenues and expenses for the Learning Center for fiscal years 2018 and 2017.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



Capital Assets

At June 30, 2018, the Learning Center had \$3,159 invested in leasehold improvements, furniture, fixtures and equipment, net of accumulated depreciation. There were no capital asset acquisitions or disposals during the year and depreciation expense totaled \$6,319. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Learning Center receives approximately 92.7% of its operating revenues from the Ohio Department of Education in the form of State Foundation and special education revenues. Thus, the Learning Center is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The Learning Center's allocation for fiscal year 2019 is approximately \$431,000.

In order to continually provide learning opportunities to its 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: Jeff Foster, Treasurer, Skoda Minotti, 3320 W. Market Street, Suite 300, Fairlawn, Ohio 4433.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Cash and cash equivalents	\$ 577,201
Intergovernmental receivable	16,421
Prepayments	21,060
Total current assets	614,682
Noncurrent assets:	
Capital assets, net	3,159
Total assets	617,841
Liabilities:	
Current liabilities:	
Accounts payable	1,028
Intergovernmental payable	137,233
Total liabilities	138,261
Net position:	
Investment in capital assets	3,159
Restricted for state funded programs	10,000
Unrestricted	466,421
Total net position	\$ 479,580

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, 2018

Operating revenues:	
State foundation	\$ 365,142
Special education	51,105
Other	32,749
Total operating revenues	<u>448,996</u>
 Operating expenses:	
Purchased services.	524,309
Materials and supplies	21,142
Depreciation	6,319
Other.	167
Total operating expenses.	<u>551,937</u>
 Operating loss	 <u>(102,941)</u>
 Non-operating revenues:	
Interest income.	<u>824</u>
 Change in net position	 (102,117)
 Net position at beginning of year.	 <u>581,697</u>
 Net position at end of year	 <u><u>\$ 479,580</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, 2018

Cash flows from operating activities:	
Cash received from state foundation	\$ 234,779
Cash received from special education	51,105
Cash received from other operations.	32,749
Cash payments to suppliers for goods and services	(558,276)
Cash payments for materials and supplies	<u>(2,517)</u>
Net cash used in operating activities	<u>(242,160)</u>
Cash flows from investing activities:	
Interest received	<u>824</u>
Net decrease in cash and cash equivalents	(241,336)
Cash and cash equivalents at beginning of year	<u>818,537</u>
Cash and cash equivalents at end of year	<u><u>\$ 577,201</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (102,941)
Adjustments:	
Depreciation.	6,319
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(16,421)
Decrease in prepayments.	20,133
Increase in accounts payable.	350
(Decrease) in intergovernmental payable	<u>(149,600)</u>
Net cash used in operating activities	<u><u>\$ (242,160)</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, 2018

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 “District”) 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 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 District’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 District. The District acted as fiscal agent for the Learning Center during fiscal year 2018.

The Learning Center began operations on September 11, 2006 and provides services to approximately 55 students.

The Learning Center operates under the direction of a five-member Board of Directors (the “Governing Authority”) to include: a) four members who are public officials or City of Oregon residents who have an interest in furthering the objectives of the establishment and operation of the Learning Center, and b) one member who is a civic leader in the community served by the community school operated by the Learning Center. 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

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 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. Furniture, fixtures and software are 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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 2018.

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2018 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 computer support services, employee bonds and commercial insurance of \$21,060 at June 30, 2018.

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.

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 2018, the Learning Center has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Learning Center.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 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, 2018, the carrying amount of all deposits was \$577,151 and the bank balance was \$580,438. Of the bank balance, \$327,315 was covered by the FDIC and \$253,123 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the Learning Center's deposits may not be returned. The Learning Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the Learning Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the Learning Center's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance <u>06/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/2018</u>
Furniture, fixtures and equipment	\$ 117,224	\$ -	\$ -	\$ 117,224
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(170,935)</u>	<u>(6,319)</u>	<u>-</u>	<u>(177,254)</u>
Capital assets, net	<u>\$ 9,478</u>	<u>\$ (6,319)</u>	<u>\$ -</u>	<u>\$ 3,159</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. The remaining amount will be repaid by reducing the Learning Center's Foundation revenue in fiscal year 2019.

During fiscal year 2018, the Learning Center had the following activity in long-term obligations:

	<u>6/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2018</u>	<u>One Year</u>
Intergovernmental payable	<u>\$ 250,672</u>	<u>\$ -</u>	<u>\$ (113,942)</u>	<u>\$ 136,730</u>	<u>\$ 136,730</u>

NOTE 7 - OPERATING LEASE

The Learning Center signed an operating lease for the period January 1, 2017 through December 31, 2018, with Free Realty Company to lease 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 2018 for the operating lease totaled \$19,200. The future minimum payments required under the lease amount to \$9,600 which are to be paid in fiscal year 2019.

NOTE 8 - PURCHASED SERVICES

For fiscal year 2018, purchased services expenses were as follows:

Professional and technical services	\$ 2,498
Instructional services	220,832
Secretarial services	115,647
Administrative	76,803
Computer support services	26,653
Other professional and technical services	22,980
Property services	31,236
Travel mileage/meeting expense	491
Advertising	18,698
Utilities	<u>8,471</u>
Total	<u>\$ 524,309</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

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 Rev. 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.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 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 contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2018 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2018 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - SERVICE AGREEMENT

The Learning Center entered into a service contract with the Oregon City School District (the “District”) for fiscal year 2018 to provide planning, instructional, administrative and technical services. Personnel providing services to the Learning Center under the purchased services basis are considered employees of the District, and the District is solely responsible for all payroll functions. The Learning Center paid \$411,826 to the District in fiscal year 2018, which includes an intergovernmental payable of \$503.

NOTE 12 - SPONSORSHIP CONTRACT

The Learning Center was approved under contract with the Office of Ohio School Sponsorship at the Department of Education (the “Sponsor”) commencing July 1, 2017 through June 30, 2018. 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. On December 21, 2017 the sponsorship contract was extended for one additional year through June 30, 2019.

Under the terms of the Contract, the Learning Center is required to pay the Sponsor up to 3% of 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 13 - SUBSEQUENT EVENT

On July 1, 2018, Jeff Foster became the Treasurer of the Learning Center.

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Julian & Grube, Inc.

Serving Ohio Local Governments

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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, 2018, 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 December 14, 2018.

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.

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.



Julian & Grube, Inc.
December 14, 2018

OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 14, 2019**