



Dave Yost • Auditor of State

**EAGLE LEARNING CENTER
LUCAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying basic financial statements of Eagle Learning Center, Lucas County, Ohio (the Learning Center), a component unit of the Oregon City School District, as of and for the year ended June 30, 2011, 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 respective financial position of Eagle Learning Center, Lucas County, Ohio, as of June 30, 2011, and the respective changes in financial position and 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 March 14, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 14, 2012

**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, 2011
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, 2011. 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 2011 are as follows:

- In total, net assets were \$1,229,626 at June 30, 2011.
- The Learning Center had operating revenues of \$813,297 and operating expenses of \$645,865 for fiscal year 2011. The Learning Center had \$118,777 in non-operating revenues for fiscal year 2011. Total change in net assets for the period was an increase of \$286,209.

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 ask the question, "How did we do financially during 2011?" 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 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 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.

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.
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The table below provides a summary of the Learning Center's net assets at June 30, 2011 and 2010.

	Net Assets	
	2011	2010
<u>Assets:</u>		
Current assets	\$ 1,209,765	\$ 934,117
Non-current assets:		
Capital assets, net	51,696	63,296
Total assets	1,261,461	997,413
<u>Liabilities:</u>		
Current liabilities	31,835	53,996
<u>Net assets:</u>		
Invested in capital assets	51,696	63,296
Restricted	55,612	14,467
Unrestricted	1,122,318	865,654
Total net assets	\$ 1,229,626	\$ 943,417

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Learning Center's net assets totaled \$1,229,626. A balance of \$55,612 was restricted in use.

Current assets totaled \$1,209,765. Cash and cash equivalents amounted to \$1,156,278. The most significant current liability is a \$26,871 payable to Oregon City School District for services rendered.

At year-end, capital assets represented 4.10% 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.

A portion of the Learning Center's net assets, \$55,612, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,122,318.

**EAGLE LEARNING CENTER, INC.
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

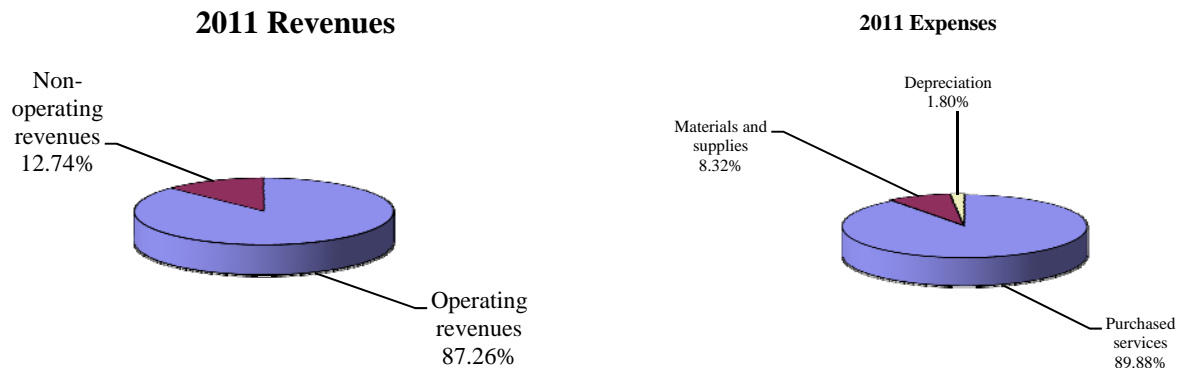
The table below shows the changes in net assets for the fiscal year ended June 30, 2011 and 2010.

Change in Net Assets

	<u>2011</u>	<u>2010</u>
<u>Operating revenues:</u>		
State foundation	\$ 762,313	\$ 855,441
Special education	34,564	72,371
Other	16,420	11,990
Total operating revenue	<u>813,297</u>	<u>939,802</u>
<u>Operating expenses:</u>		
Purchased services	580,525	597,390
Materials and supplies	53,740	14,498
Depreciation	11,600	12,257
Other	-	185
Total operating expenses	<u>645,865</u>	<u>624,330</u>
<u>Non-operating revenues:</u>		
Federal and state grants	118,167	70,123
Interest revenue	610	1,544
Total non-operating revenues	<u>118,777</u>	<u>71,667</u>
Change in net assets	286,209	387,139
Net assets at beginning of year	<u>943,417</u>	<u>556,278</u>
Net assets at end of year	<u>\$ 1,229,626</u>	<u>\$ 943,417</u>

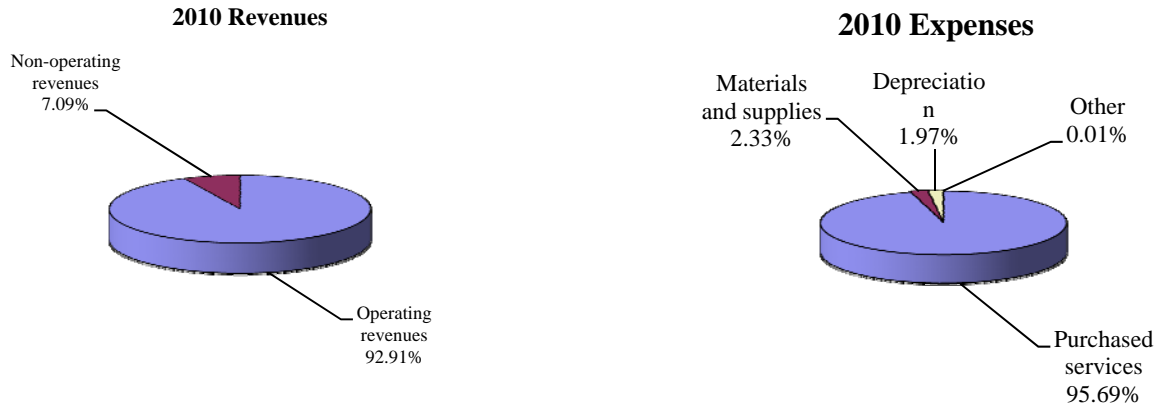
The Learning Center receives State Foundation revenues based upon the number of students attending the Learning Center. The purchase services expenses are primarily payments to the Learning Center's Sponsor (the Oregon City School District). The Sponsor, under the Sponsorship Contract, provides planning, 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.

The graphs below illustrate the revenues and expenses for the Learning Center for fiscal years 2011 and 2010.



EAGLE LEARNING CENTER, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED



Capital Assets

At June 30, 2011, the Learning Center had \$51,696 invested in leasehold improvements, computer equipment and software. See Note 6 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
(A Component Unit of Oregon City School District)
LUCAS COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2011

Assets:

Current assets:

Cash and cash equivalents	\$	1,156,278
Intergovernmental receivable.		48,572
Prepayments		4,915
Total current assets		1,209,765

Noncurrent assets:

Capital assets, net		51,696
Total assets.		1,261,461

Liabilities:

Current liabilities:

Accounts payable.		1,819
Intergovernmental payable		30,016
Total liabilities		31,835

Net assets:

Invested in capital assets.		51,696
Restricted for state funded programs.		10,000
Restricted for federally funded programs.		45,612
Unrestricted		1,122,318
Total net assets.	\$	1,229,626

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating revenues:	
State foundation	\$ 762,313
Special education	34,564
Other	16,420
Total operating revenues	<u>813,297</u>
 Operating expenses:	
Purchased services.	580,525
Materials and supplies	53,740
Depreciation	11,600
Total operating expenses.	<u>645,865</u>
 Operating income	 <u>167,432</u>
 Non-operating revenues:	
Federal and state grants	118,167
Interest income.	610
Total non-operating revenues	<u>118,777</u>
 Change in net assets.	 286,209
 Net assets at beginning of year	 <u>943,417</u>
 Net assets at end of year	 <u>\$ 1,229,626</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from State foundation	\$ 751,705
Cash received from special education	34,564
Cash received from other operations.	16,195
Cash payments to suppliers for goods and services . .	(597,126)
Cash payments for materials and supplies	<u>(53,902)</u>
Net cash provided by operating activities.	<u>151,436</u>
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	<u>72,555</u>
Cash flows from investing activities:	
Interest received	<u>610</u>
Net increase in cash and cash equivalents	224,601
Cash and cash equivalents at beginning of year. . . .	<u>931,677</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,156,278</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 167,432
Adjustments:	
Depreciation	11,600
Changes in assets and liabilities:	
Increase in intergovernmental receivable	(2,960)
Increase in prepayments.	(2,475)
Increase in accounts payable	858
Decrease in intergovernmental payable	<u>(23,019)</u>
Net cash provided by operating activities.	<u><u>\$ 151,436</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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EAGLE LEARNING CENTER, INC.
(A Component Unit of Oregon City School District)
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 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 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 12 for detail on the Sponsorship Contract). This contract was amended in 2011 for an additional five years. 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 127 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

EAGLE LEARNING CENTER, INC.
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

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) guidance issued prior to November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Learning Center has elected not to apply FASB guidance 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

D. Cash

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

E. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Learning Center maintains a capitalization threshold of \$1,000. The Learning Center does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over three years. Leasehold improvements are depreciated over ten 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 amount of net assets restricted includes amounts for state and federally funded programs. 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. Federal and State grants received by the Learning Center for fiscal year 2011 were \$118,167.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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, employee bonds and commercial insurance of \$4,915 at June 30, 2011.

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 2011, the Learning Center has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 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, 2011, the carrying amount of the Learning Center's deposits was \$1,156,228. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$250,893 of the Learning Center's bank balance of \$1,158,344 was exposed to custodial risk as discussed below, while \$907,451 was covered by the Federal Deposit Insurance Corporation (FDIC).

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4 – DEPOSITS – (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Learning Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Learning Center. The Learning Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Learning Center to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental receivables arising from grants and entitlements, and amounts due from other governments. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
Education jobs	\$ 45,612
Ohio Department of Education - FY11 enrollment and full-time equivalency review	<u>2,960</u>
Total intergovernmental receivables	<u>\$ 48,572</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>06/30/2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/2011</u>
Furniture, fixtures and equipment	\$ 24,200	\$ -	\$ -	\$ 24,200
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(24,093)</u>	<u>(11,600)</u>	<u>-</u>	<u>(35,693)</u>
Capital assets, net	<u>\$ 63,296</u>	<u>\$ (11,600)</u>	<u>\$ -</u>	<u>\$ 51,696</u>

NOTE 7 - OPERATING LEASES

The Learning Center signed an operating lease for the period January 1, 2010 through December 31, 2011, 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.
(A Component Unit of Oregon City School District)
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7 - OPERATING LEASES – (Continued)

Payments made in fiscal year 2011 for the operating leases totaled \$19,200.

The future minimum lease payments required under the operating leases at June 30, 2011 are \$8,000, which are to be paid during fiscal year 2012. A \$1,600 prepayment is recorded on the statement of net assets for July rent which was paid in June.

NOTE 8 - PURCHASED SERVICES

For fiscal year 2011, purchased services expenses were as follows:

Professional and technical services	\$ 958
Instructional services	265,031
Secretarial services	80,414
Administrative	52,027
Computer support services	89,895
Legal services	5,447
Other professional and technical services	9,898
Property services	23,835
Travel mileage/meeting expense	2,724
Advertising	39,709
Utilities	<u>10,587</u>
Total	<u>\$ 580,525</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. For fiscal year 2011, 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 2011.

NOTE 10 - 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, 2011.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 10 – CONTINGENCIES – (Continued)

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. As a result of the review after fiscal year-end, ODE owed the Learning Center \$2,960. This amount will be repaid by increasing fiscal year 2012 foundation revenues and is recorded as an intergovernmental receivable on the basic financial statements.

NOTE 11 - RELATED PARTY TRANSACTIONS

For fiscal year 2011, the Learning Center had expenses for purchased services and materials and supplies of \$472,810 to their Sponsor, which includes an intergovernmental payable of \$29,871.

NOTE 12 - 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 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.

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Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the basic financial statements of Eagle Learning Center, Lucas County, Ohio (the Learning Center), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 14, 2012, wherein we noted the Learning Center is a component unit of the Oregon City School District. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *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 more than a reasonable possibility that a material misstatement of the Learning Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of reasonably assuring whether the School'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*.

Eagle Learning Center
Lucas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 14, 2012.

We intend this report solely for the information and use of management, Governing Board, the School's sponsor, and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 14, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Eagle Learning Center (the Learning Center) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on March 10, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governing Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 14, 2012

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Dave Yost • 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
APRIL 5, 2012**