EAGLE LEARNING CENTER
LUCAS COUNTY

REGULAR AUDIT

FOR THE PERIOD ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

EAGLE LEARNING CENTER
LUCAS COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Eagle Learning Center, Lucas County (the Learning Center), a component unit of the Oregon City School District, as of and for the period September 11, 2006, through June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Learning Center's management. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eagle Learning Center, as of June 30, 2007, and the changes in its financial position and its cash flows for the period September 11, 2006, through June 30, 2007, 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 20, 2008, 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.

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

Mary Taylor, CPA
Auditor of State

March 20, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD SEPTEMBER 11, 2006 THROUGH JUNE 30, 2007
UNAUDITED

The discussion and analysis of Eagle Learning Center, Inc. (the Learning Center) financial performance provides an overall review of the Learning Center's financial activities for the period September 11, 2006, through June 30, 2007. 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the Learning Center's financial performance.

The Management's Discussion and Analysis (the "MD&A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statement and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the Learning Center, comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets were $29,520 at June 30, 2007.

- The Learning Center had operating revenues of $362,627, operating expenses of $383,107 and non-operating revenues of $50,000 for the period September 11, 2006, through June 30, 2007. Total change in net assets for the period was an increase of $29,520.

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 statements. 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 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The table below provides a summary of the Learning Center's net assets at June 30, 2007. Since this is the first year that the Learning Center has prepared financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

(Table 1)
Net Assets

	2007
Assets	
Current Assets	$ 90,980
Capital Assets, Net	2,466
Total Assets	93,446
Liabilities	
Current Liabilities	63,926
Total Liabilities	63,926
Net Assets	
Invested in Capital Assets	2,466
Unrestricted	27,054
Total Net Assets	$ 29,520

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Learning Center's net assets totaled $29,520. A balance of $27,054 was unrestricted in use.

Current assets totaled $90,980. Cash and cash equivalents amounted to $90,320. The most significant current liabilities was $61,507 for intergovernmental payable, which was payable to Oregon City School District in the amount of $30,369 for services rendered and to the State of Ohio for corrections to state funding of $31,138.

At year-end, capital assets represented only 2.64% of total assets. Capital assets consisted of computer equipment and software. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

The table below shows the changes in net assets for the period September 11, 2006, through June 30, 2007. Since this is the first year that the Learning Center has prepared financial statements, comparison with prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

(Table 2)
Change in Net Assets

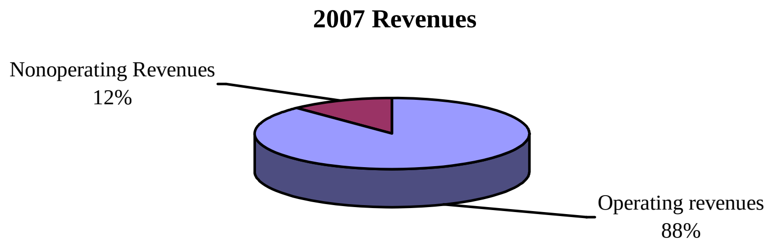
	2007
Operating Revenues:	
Foundation Payments	$ 326,892
Special Education	30,780
Other	4,955
Total Operating Revenues	362,627
Operating Expenses	
Purchased Services	299,692
Materials and Supplies	83,015
Depreciation	400
Total Operating Expenses	383,107
Non-Operating Revenues:	
State Grants	50,000
Total Non-Operating Revenues	50,000
Increase in Net Assets	$ 29,520

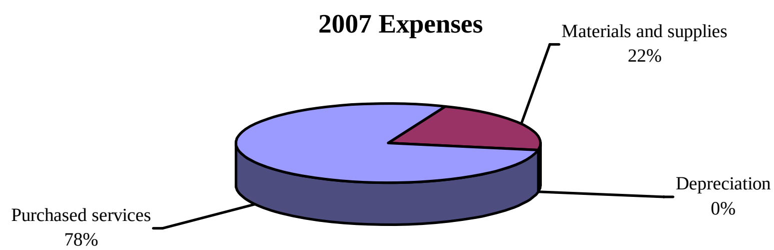
The Learning Center receives State Foundation revenues based upon the number of students attending the Learning Center. The purchase services expenses are primarily payments to the Learning Center's Sponsor (the Oregon City School District) and Innovative Learning Solutions (ILS). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the Learning Center. In addition, the Sponsor provides personnel services to the Learning Center under a purchased services basis. ILS provides consulting services related to the operations of the Learning Center. Materials and supplies expenses consisted primarily of the purchase of computers for providing services to students. The Learning Center received a $50,000 State start-up grant during the period September 11, 2006, through June 30, 2007. The entire grant award was expensed prior to June 30, 2007.

EAGLE LEARNING CENTER
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD SEPTEMBER 11, 2006 THROUGH JUNE 30, 2007
UNAUDITED
(Continued)

The graphs below illustrate the revenues and expenses for the Learning Center for the period September 11, 2006, through June 30, 2007.





Capital Assets

At June 30, 2007, the Learning Center had $2,466 invested in computer equipment and software. See Note 4 to the basic financial statements for more detail on capital assets.

Debt

The Learning Center had no debt obligations at June 30, 2007.

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 Street, Oregon, Ohio, 43616-2631.

EAGLE LEARNING CENTER
LUCAS COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets		
Current Assets		
Cash and Cash Equivalents	$	90,320
Accounts Receivable		660
Total Current Assets		90,980
Non-Current Assets		
Depreciable Capital Assets, Net		2,466
Total Assets		93,446
Liabilities		
Current Liabilities		
Accounts Payable		2,419
Intergovernmental Payable		61,507
Total Liabilities		63,926
Net Assets		
Invested in Capital Assets, Net of Related Debt		2,466
Unrestricted		27,054
Total Net Assets	$	29,520

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EAGLE LEARNING CENTER
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE PERIOD SEPTEMBER 11, 2006 THROUGH JUNE 30, 2007

Operating Revenues	
Foundation Payments	$ 326,892
Special Education	30,780
Other Revenues	4,955
Total Operating Revenues	362,627
Operating Expenses	
Purchased Services	299,692
Materials and Supplies	83,015
Depreciation	400
Total Operating Expenses	383,107
Operating Loss	(20,480)
Non-Operating Revenues	
Operating Grants - State	50,000
Change in Net Assets	29,520
Net Assets Beginning of Period	
Net Assets End of Period	$ 29,520

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EAGLE LEARNING CENTER
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE PERIOD SEPTEMBER 11, 2006 THROUGH JUNE 30, 2007

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Foundation Payments	$ 358,030
Cash Received from Special Education	30,780
Cash Received from Other Operating Revenues	4,295
Cash Payments to Suppliers for Goods and Services	(267,688)
Cash Payments for Materials and Supplies	(82,231)
Net Cash Provided by Operating Activities	43,186
Cash Flows from Noncapital Financing Activities	
State Grants Received	50,000
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(2,866)
Net Increase in Cash and Cash Equivalents	90,320
Cash and Cash Equivalents at Beginning of Period	
Cash and Cash Equivalents at End of Period	$ 90,320

(Continued)

EAGLE LEARNING CENTER
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE PERIOD SEPTEMBER 11, 2006 THROUGH JUNE 30, 2007
(Continued)

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	$	(20,480)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation		400
Changes in Assets and Liabilities		
(Increase) in Accounts Receivable		(660)
Increase in Accounts Payable		2,419
Increase in Intergovernmental Payable		61,507
Total Adjustments		63,666
Net Cash Provided by Operating Activities	$	43,186

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE LEARNING CENTER

The Eagle Learning Center, Inc. (the Learning Center) was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 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 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 10 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 or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Sponsor may serve as the Chief Fiscal Officer of the Learning Center (see Note 10 for detail on the Sponsorship Contract). The Learning Center began operations on September 11, 2006, and provides services to approximately 80 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 qualifications of teachers. In addition to the Sponsorship Contract, the Learning Center has also entered into an agreement with Innovative Learning Solutions (ILS) to provide consulting services (see Note 11).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Learning Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Learning Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The Learning Center has elected not to apply FASB statements and interpretations issued after November 30, 1989. The Learning Center's significant accounting policies are described below.

A. Basis of Presentation

The Learning Center's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. 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. The statement of cash flows provides information about how the Learning Center finances and meets the cash flow needs of its enterprise activities.

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 Section 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 Section 5705.

D. Cash

All monies received by the Learning Center are accounted for by the Learning Center's fiscal agent, the Oregon City School District. All cash received by the fiscal agent is maintained in a separate bank account in the Learning Center's name.

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

For purposes of the statement of cash flows and for the presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Learning Center are considered to be cash equivalents.

During the period ended June 30, 2007, the Learning Center had only deposits.

E. Intergovernmental Revenues

The Learning Center currently participates in the State Foundation Program and the State Special Education Program through the Ohio Department of Education. Revenues from these programs are recognized as operating revenues 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 requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

F. Capital Assets

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Learning Center maintains a capitalization threshold of $1,000. The Learning Center does not possess 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.

G. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Learning Center. For the Learning Center, these revenues are primarily foundation payments from the state. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Learning Center. Revenues and expenses not meeting this definition are reported as non-operating.

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

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 – DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Learning Center will not be able to recover deposits. The Learning Center does not have a deposit policy for custodial credit risk. At June 30, 2007, the carrying amount of the Learning Center's deposits was $90,320. At June 30, 2007, $21,494 of the Learning Center's bank balance of $121,494 was uncollateralized and exposed to custodial risk, while $100,000 was covered by the Federal Depository Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the Learning Center.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period September 11, 2006 through June 30, 2007, was as follows:

	Balance 09/11/06	Additions	Deletions	Balance 06/30/07
Capital Assets:				
Furniture, Fixtures, and Equipment		2,866		2,866
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment		(400)		(400)
Total Capital Assets Being Depreciated, Net		2,466		2,466

NOTE 5 – OPERATING LEASE

The Learning Center signed an operating lease for the period June 1, 2007, through June 1, 2008, with Free Realty Company to lease a school facility, with the option to renew the lease for an additional one year provided notice of election of this option is provided Lessor in writing at least sixty days prior to termination of this period. Payments made totaled $1,600 for the period ended June 30, 2007.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2007:

Year Ended June 30:	Building Lease
2008	$ 8,800

NOTE 6 – DEFINED BENEFIT PENSION PLANS

The Learning Center has contracted with its Sponsor to provide employee services and pay those employees. However, these contract services do not relieve the Learning Center of the obligation for remitting pension contributions. The retirement systems consider the Learning Center as the Employer-of-Record and the Learning Center is ultimately responsible for remitting contributions to each of the systems noted below:

A. School Employees Retirement System

The Learning Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the Learning Center is required to contribute at an actuarially determined rate. The current Learning Center rate is 14 percent of annual covered payroll. A portion of the Learning Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the period September 11, 2006 through June 30, 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The Learning Center's required contribution for pension obligations to SERS for the period September 11, 2006, through June 30, 2007, was $1,472; 100 percent has been contributed for the period September 11, 2006, through June 30, 2007.

B. State Teachers Retirement System

The Learning Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – (Continued)

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the period September 11, 2006, through June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Learning Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Learning Center's required contributions for pension obligations to STRS Ohio for the period September 11, 2006, through June 30, 2007, were paid by the Learning Center's Sponsor. The Learning Center's required contributions for pension obligations to STRS Ohio for the period September 11, 2006, through June 30, 2007, was $10,042; 100 percent has been contributed for the period September 11, 2006, through June 30, 2007.

NOTE 7 - POSTEMPLOYMENT BENEFITS

The Learning Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Learning Center, this amount equaled $772 for the period September 11, 2006 through June 30, 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

NOTE 7 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Learning Center, the amount contributed to fund health care benefits, including the surcharge, during the period September 11, 2006, through June 30, 2007, equaled $457.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were $158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of $295.6 million. SERS has 59,492 participants eligible to receive benefits.

NOTE 8 - RISK MANAGEMENT

The Learning Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. During the period September 11, 2006 through June 30, 2007, the Learning Center was named on the Sponsor's policy for general liability and property insurance. The Learning Center provides employee bond coverage in the following amounts: Treasurer $50,000 and Board of Directors $20,000.

Settled claims of the Sponsor did not exceed this commercial coverage during the period September 11, 2006, through June 30, 2007.

NOTE 9 - CONTINGENCIES

A. Grants

The Learning Center received financial assistance from State agencies in the form of grants. The disbursement 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 of the Learning Center. 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, 2007.

NOTE 9 – CONTINGENCIES – (Continued)

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Learning Center has had a review for the period September 11, 2006, through June 30, 2007, which resulted in the Learning Center owing $31,138 to the ODE. This liability will be repaid through decreased state foundation funding in fiscal year 2008. This liability is reported as an intergovernmental payable at June 30, 2007.

C. Litigation

A lawsuit entitled ***Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197*** was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Learning Center cannot presently be determined.

NOTE 10 – 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 up to three percent (3%) from the funding provided to the Learning Center by the Ohio Department of Education as an oversight and monitoring (administrative) fee. In addition, in the event that the Sponsor provides substantially all of the special education and services required by an IEP, 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 11 – ILS AGREEMENT

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

NOTE 11 – ILS AGREEMENT – (Continued)

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

1. The sum of 20% of all gross Learning Center average daily membership (ADM) funds payable in monthly installments commencing November 2006 and continuing monthly thereafter during the term of the Agreement;

2. Effective November 20, 2009, the percentage will reduce by 2% (up to a maximum of 10%) for each non-Oregon City School District community school under management of ILS at that time.

3. A fee of $50,000 for the initial set-up and administration of the community school process. This fee is contingent upon the Learning Center receiving a federal grant in the amount of $100,000 or more within the first two years of this Agreement. Such payment will be due and payable upon receipt of the federal grant by the Learning Center.

For the period September 11, 2006, through June 30, 2007, the Learning Center had $77,762 in expenses to ILS. An addendum to the Agreement was executed March 18, 2008, to amend the compensation amount from 20% to 12% commencing September 2007.

NOTE 12 – PURCHASED SERVICES

For the period September 11, 2006 through June 30, 2007, purchased service expenses were payments for services rendered, as follows:

Professional and Technical Services	$	269,603
Property Services		23,220
Travel Mileage/Meeting Expense		463
Communications		6,406
Total Purchased Services	$	299,692

NOTE 13 – RELATED PARTY TRANSACTIONS

For the period September 11, 2006, through June 30, 2007, the Learning Center had expenses for purchased services and materials and supplies of $177,296 to their Sponsor, which includes an intergovernmental payable of $30,369.

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of Eagle Learning Center, Lucas County, (the Learning Center), a component unit of the Oregon City School District, as of and for the period September 11, 2006, through June 30, 2007, which collectively comprise the Learning Center's basic financial statements and have issued our report thereon dated March 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Learning Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Learning Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Learning Center's internal control over financial reporting.

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

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

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www.auditor.state.oh.us

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

We noted certain matters that we reported to the Learning Center's management in a separate letter dated March 20, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Learning Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards.*

We did note certain noncompliance or other matters that we reported to the Learning Center's management in a separate letter dated March 20, 2008.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 20, 2008

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 8, 2008