EAGLE LEARNING CENTER, INC.
LUCAS COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Dave Yost • Auditor of State

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle Learning Center, Inc., Lucas County, Ohio (the Learning Center), a component unit of Oregon City School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 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 Learning Center's internal control. Accordingly, we express no 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 Eagle Learning Center, Inc., Lucas County as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the Learning Center adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

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 27, 2013, 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. 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 Learning Center's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2013

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position was $923,084 at June 30, 2013.

- The Learning Center had operating revenues of $465,588 and operating expenses of $719,166 for fiscal year 2013. The Learning Center had $840 in non-operating revenues for fiscal year 2013. The total change in net position for the period was a decrease of $252,738.

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 2013?" 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.

The table below provides a summary of the Learning Center's net position at June 30, 2013 and 2012.

Net Position

	2013	2012
Assets:		
Current assets	$ 857,991	$ 1,160,856
Non-current assets:		
Capital assets, net	95,794	44,716
Total assets	953,785	1,205,572
Liabilities:		
Current liabilities	30,701	29,750
Net position:		
Net investment in capital assets	95,794	44,716
Restricted	10,000	10,000
Unrestricted	817,290	1,121,106
Total net position	$ 923,084	$ 1,175,822

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the Learning Center's net position totaled $923,084.

Current assets totaled $857,991. Cash and cash equivalents amounted to $846,123. The most significant current liability is a $28,744 payable to Oregon City School District for services rendered.

At year-end, capital assets represented 10.04% 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 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 $817,290.

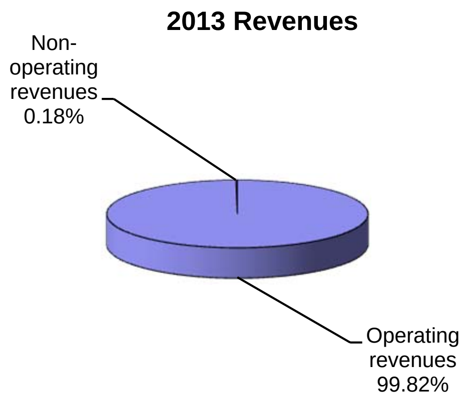
The table below shows the changes in net position for the fiscal years ended June 30, 2013 and 2012.

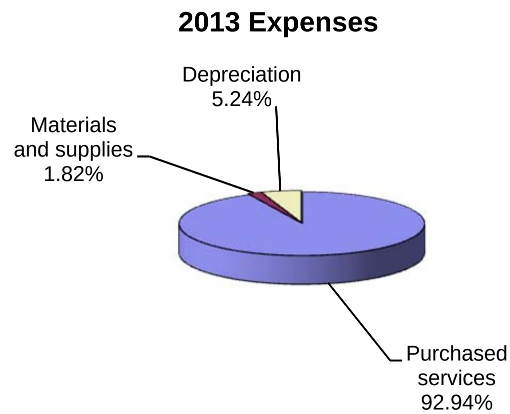
Change in Net Position

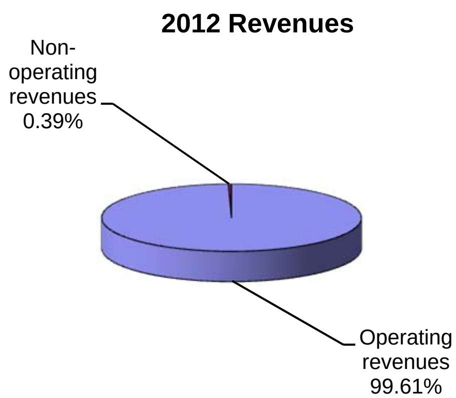
	2013	2012
Operating revenues:		
State foundation	$ 389,053	$ 572,915
Special education	31,682	48,056
Other	44,853	22,215
Total operating revenues	465,588	643,186
Operating expenses:		
Purchased services	668,416	649,049
Materials and supplies	13,068	40,685
Depreciation	37,682	9,779
Total operating expenses	719,166	699,513
Non-operating revenues:		
Federal and state grants	-	1,224
Interest revenue	840	1,299
Total non-operating revenues	840	2,523
Change in net position	(252,738)	(53,804)
Net position at beginning of year	1,175,822	1,229,626
Net position at end of year	$ 923,084	$ 1,175,822

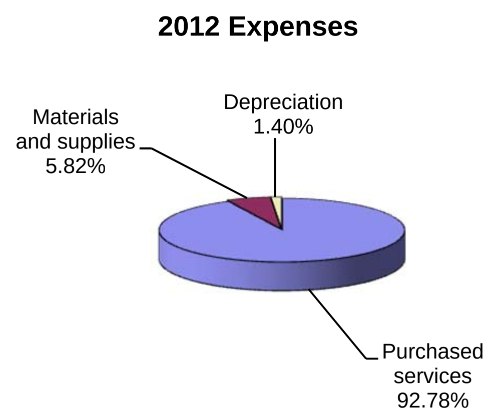
The Learning Center's main source of revenue is the State Foundation revenue, in an amount based upon the number of students attending the Learning Center. Most of the Learning Center's expenses are for purchased services; these expenses are primarily payments to the Learning Center's Sponsor (the Oregon City School District). The Sponsor, under the Sponsorship Contract, provides planning, instructional, administrative and technical services to the Learning Center. In addition, the Sponsor provides personnel services to the Learning Center under a purchased services basis.

The graphs below illustrate the revenues and expenses for the Learning Center for fiscal years 2013 and 2012.









Capital Assets

At June 30, 2013, the Learning Center had $95,794 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 primarily upon State Foundation monies to offer quality educational services to students.

In order to continually provide learning opportunities to the Learning Center's students, the Learning Center will apply financial resources to best meet the needs of its students. It is the intent of the Learning Center to apply for other State and federal funds that are made available to finance its operations.

Contacting the Learning Center's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Learning Center's finances and to show the Learning Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jane Fruth, Treasurer, Eagle Learning Center, Inc., 5271 Seaman St., Oregon, Ohio 43616-2631.

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:		
Current assets:		
Cash and cash equivalents	$	846,123
Accounts receivable		7,700
Prepayments		4,168
Total current assets		857,991
Noncurrent assets:		
Capital assets, net		95,794
Total assets		953,785
Liabilities:		
Current liabilities:		
Accounts payable		1,097
Intergovernmental payable		29,604
Total liabilities		30,701
Net position:		
Net investment in capital assets		95,794
Restricted for state funded programs		10,000
Unrestricted		817,290
Total net position	$	923,084

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:		
State foundation.	$	389,053
Special education		31,682
Other		44,853
Total operating revenues		465,588
Operating expenses:		
Purchased services.		668,416
Materials and supplies		13,068
Depreciation		37,682
Total operating expenses.		719,166
Operating loss		(253,578)
Non-operating revenues:		
Interest income.		840
Change in net position		(252,738)
Net position at beginning of year.		1,175,822
Net position at end of year	$	923,084

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:		
Cash received from State foundation.	$	391,862
Cash received from special education		31,682
Cash received from other operations.		37,603
Cash payments to suppliers for goods and services		(577,318)
Cash payments for materials and supplies		(104,666)
Cash payments for other expenses		(250)
Net cash used in operating activities		(221,087)
Cash flows from capital and related financing activities:		
financing activities:		
Acquisition of capital assets		(88,760)
Cash flows from investing activities:		
Interest received		840
Net decrease in cash and cash equivalents		(309,007)
Cash and cash equivalents at beginning of year		1,155,130
Cash and cash equivalents at end of year	$	846,123
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(253,578)
Adjustments:		
Depreciation		37,682
Changes in assets and liabilities:		
Increase in accounts receivable.		(7,700)
Decrease in intergovernmental receivable		1,949
Increase in prepayments		(391)
Decrease in accounts payable.		(2,300)
Increase in intergovernmental payable		3,251
Net cash used in operating activities.	$	(221,087)

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 Chapter 3314 to establish a new conversion school in Oregon City School District (the "Sponsor") addressing the needs of students in grades 9 through 12. The Learning Center, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Learning Center may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Learning Center. The Learning Center is considered a component unit of the Oregon City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34".

The Learning Center is designed to meet the academic needs of high school students, grades 9 through 12, ages 16 through 22 (for regular education students) or ages 16 through 23 (for special education students), who are unsuccessful in the traditional educational setting. Typically, they are identified as students with special needs or are "at highest risk" for academic failure. Even with such significant issues, these students have a desire for an education when presented in a manner that can optimize learning. This can be done in an environment that does not include most ancillary components of a more traditional education. The objective of the Learning Center is to assist students in attaining a high school diploma by providing students: a curriculum delivery system that allows for individualized self-paced instruction, flexible operational hours that accommodate student work/family schedules, an opportunity to participate in 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. This contract was amended in 2011 for an additional five years. See Note 12 for detail on the Sponsorship Contract. The Sponsor is responsible for evaluating the performance of the Learning Center and has the authority to deny renewal of the contract at its expiration. The Learning Center began operations on September 11, 2006 and provides services to approximately 60 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

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's significant accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows are included on the statement of net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Learning Center’s contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Learning Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

D. Cash

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

E. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated.

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

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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Learning Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Learning Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Intergovernmental Revenue

The Learning Center currently participates in the State Foundation Program through the Ohio Department of Education. Revenues from these programs are recognized as operating revenue in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Learning Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Learning Center on a reimbursement basis. The Learning Center did not receive any Federal or State grants in fiscal year 2013.

H. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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, utilities, employee bonds and commercial insurance of $4,168 at June 30, 2013.

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

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 2013, the Learning Center has implemented GASB Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*", GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*", GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*", GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", and GASB Statement No. 66, "*Technical Corrections-2012*".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Learning Center's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 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, 2013, the carrying amount of the Learning Center's deposits was $846,123. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, $275,144 of the Learning Center's bank balance of $854,756 was exposed to custodial risk as discussed below, while $579,612 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

NOTE 5 - RECEIVABLES

Receivables at June 30, 2013 consisted of accounts receivable of $7,700 for sales of materials and supplies. All receivables are considered collectible in full and will be collected within the subsequent year.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 06/30/2012	Additions	Disposals	Balance 06/30/2013
Furniture, fixtures and equipment	$ 26,999	$ 88,760	$ -	$ 115,759
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	(45,472)	(37,682)	-	(83,154)
Capital assets, net	$ 44,716	$ 51,078	$ -	$ 95,794

NOTE 7 - OPERATING LEASE

The Learning Center signed an operating lease for the period January 1, 2012 through December 31, 2013, 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.

Payments made in fiscal year 2013 for the operating lease totaled $19,200. The future minimum lease payments required under the lease at June 30, 2013 are $8,000, which are to be paid during fiscal year 2014. A $1,600 prepayment is recorded on the statement of net position for July rent which was paid in June.

NOTE 8 - PURCHASED SERVICES

For fiscal year 2013, purchased services expenses were as follows:

Professional and technical services	$ 641
Instructional services	339,514
Secretarial services	89,514
Administrative	103,040
Computer support services	60,259
Other professional and technical services	6,787
Property services	29,295
Travel mileage/meeting expense	992
Advertising	28,917
Utilities	9,457
Total	$ 668,416

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:

NOTE 9 - RISK MANAGEMENT- (Continued)

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. State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The Learning Center does not anticipate any significant adjustments to state funding for the fiscal year ended June 30, 2013 as a result of the reviews which have yet to be completed.

NOTE 11 - RELATED PARTY TRANSACTIONS

For fiscal year 2013, the Learning Center had expenses for purchased services and materials and supplies of $621,669 to their Sponsor, which includes an intergovernmental payable of $28,744.

NOTE 12 - SPONSORSHIP CONTRACT

On October 24, 2011 the Sponsor and the Learning Center extended their Sponsorship Contract (the “Contract”) for a period of five (5) more years through June 30, 2016. 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

NOTE 12 - SPONSORSHIP CONTRACT (Continued)

payments from the Learning Center to the Sponsor shall be mutually agreed upon between the Learning Center and the Sponsor.

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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 Street
Oregon, Ohio 43616-2631

To the Governing Board:

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 Eagle Learning Center, Inc., Lucas County, Ohio (the Learning Center) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Learning Center's basic financial statements and have issued our report thereon dated December 27, 2013 wherein we noted the Learning Center is a component unit of Oregon City School District, and wherein we noted the Learning Center implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 Learning Center's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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, 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 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 Learning Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2013

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-001

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Treasurer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In 2013, the Learning Center failed to capitalize the purchase of computer equipment in the amount of $88,760.

The financial statements were adjusted to include the capitalization of the computer equipment.

We recommend the Treasurer establish policies and procedures to ensure the accurate posting and capitalization of expenditures in the future. We also recommend the governing board more closely monitor financial information posting to help detect any posting errors or inaccuracies.

Officials' Response:

We did not receive a response from Officials to this finding.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Eagle Learning Center, Inc.
Lucas County
5721 Seaman Street
Oregon, Ohio 43216-2631

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, Inc., Lucas County, Ohio (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 Learning Center did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

Ohio Rev. Code Section 3313.666 required the Learning Center to amend its policy by November 4, 2012.

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 Board and the Learning Center's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

December 27, 2013

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Dave Yost • Auditor of State

EAGLE LEARNING CENTER INC

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 23, 2014

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov