



OHIO AUDITOR OF STATE
KEITH FABER



**EAGLE LEARNING CENTER, INC.
LUCAS COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Eagle Learning Center, Inc.
Lucas County
3320 West Market Street #300
Fairlawn, Ohio 44333

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Eagle Learning Center, Inc., Lucas County, Ohio (the Learning Center), as of and for the year ended June 30, 2019, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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, Ohio, as of June 30, 2019, 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.

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* and schedules of pension and other post-employment benefit contributions 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 March 25, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

March 25, 2020

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019. 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 2019 are as follows:

- In total, net position was \$529,659 at June 30, 2019. This represents an increase of \$50,079 or 10.44% compared to the prior year.
- The Learning Center had operating revenues of \$563,539 and operating expenses of \$522,348 for fiscal year 2019. The Learning Center also had non-operating revenues consisting of Federal and State grants and interest income in the amount of \$8,888.

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 2019?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The table below provides a summary of the Learning Center's net position at June 30, 2019 and 2018.

	Net Position	
<u>Assets:</u>		
Current assets	\$ 498,652	\$ 614,682
Non-current assets:		
Capital assets, net	-	3,159
Total assets	498,652	617,841
<u>Deferred outflows of resources:</u>		
Pension	38,842	-
OPEB	1,021	-
Total deferred outflows of resources	39,863	-
<u>Liabilities:</u>		
Current liabilities	8,856	138,261
Total liabilities	8,856	138,261
<u>Net position:</u>		
Investment in capital assets	-	3,159
Restricted	-	10,000
Unrestricted	529,659	466,421
Total net position	\$ 529,659	\$ 479,580

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the Learning Center's net position totaled \$529,659.

Current assets consist of cash and cash equivalents of \$387,394, an intergovernmental receivable of \$106,915, and prepayments of \$4,343. In fiscal year 2019 the Learning Center hired its own employees whereas in previous years it had contracted with the Oregon City School District to provide teaching and administrative personnel. As a result, the Learning Center began contributing directly to the State pension systems (SERS and STRS) and is reporting deferred outflows of resources at June 30, 2019 for pension and OPEB (Other Post Employment Benefits) related to these contributions. Liabilities for the Learning Center consist of various intergovernmental and accounts payable. Liabilities in fiscal year 2018 included an amount owed to the Ohio Department of Education (ODE) as a result of the ODE's review of the Learning Center's enrollment data. This amount was paid in full during fiscal year 2019.

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

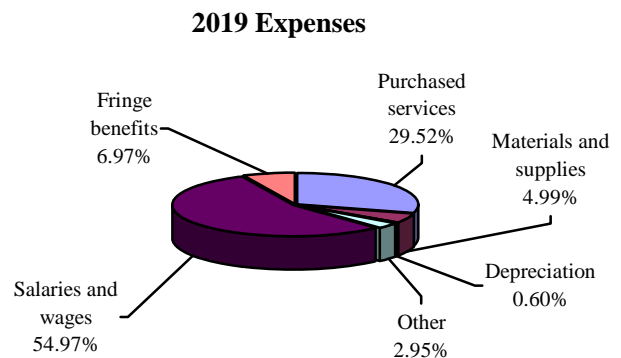
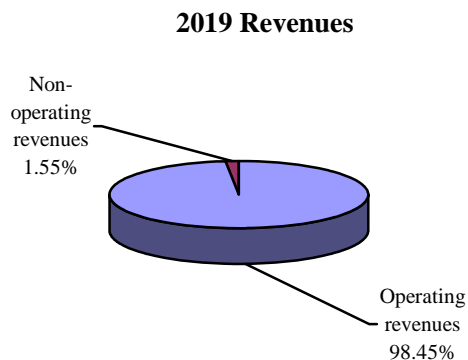
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The table below shows the changes in net position for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
<u>Change in Net Position</u>		
<u>Operating revenues:</u>		
State Foundation	\$ 483,152	\$ 365,142
Special education	54,450	51,105
Other	25,937	32,749
Total operating revenues	563,539	448,996
<u>Operating expenses:</u>		
Salaries and wages	287,149	-
Fringe benefits	36,385	-
Purchased services	154,192	524,309
Materials and supplies	26,071	21,142
Depreciation	3,159	6,319
Other	15,392	167
Total operating expenses	522,348	551,937
<u>Non-operating revenues:</u>		
Federal and State grants	8,040	-
Interest revenue	848	824
Total non-operating revenues	8,888	824
Change in net position	50,079	(102,117)
Net position at beginning of year	479,580	581,697
Net position at end of year	\$ 529,659	\$ 479,580

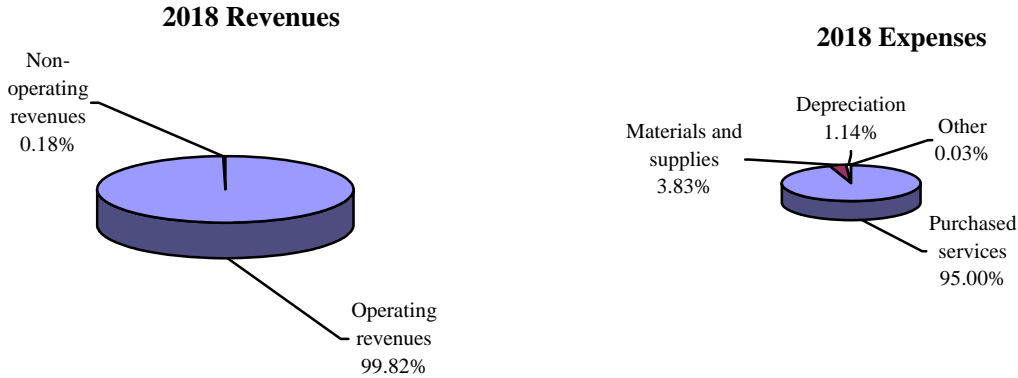
The Learning Center's main source of revenue is the State Foundation revenue, in an amount based upon the number of FTE (full time equivalent) students attending the Learning Center. The Learning Center's FTE was 55 and 71 in fiscal years 2018 and 2019, respectively. As mentioned on the previous page, the Learning Center now hires its own employees instead of contracting for those services. This explains the increase in salaries and wages and fringe benefits, as well as the decrease in purchased services expenses.

The following graphs illustrate the revenues and expenses of the Learning Center for fiscal years 2019 and 2018.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**



Capital Assets

At June 30, 2019, the Learning Center had \$180,413 invested in leasehold improvements, computer equipment and software. These assets were fully depreciated, leaving a net book value of \$0 at June 30, 2019. There were no capital asset acquisitions or disposals during the year and depreciation expense totaled \$3,159. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

Current Financial Related Activities

The Learning Center receives approximately 95.39% of its operating revenues and 93.92% of total revenues from the Ohio Department of Education in the form of State Foundation and special education revenues. Thus, the Learning Center is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The Learning Center's allocation for fiscal year 2020 is approximately \$405,000.

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

Contacting the Learning Center's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Learning Center's finances and to show the Learning Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jeff Foster, Treasurer, Skoda Minotti, 3320 West Market Street, Suite 300, Fairlawn, Ohio 4433.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 387,394
Intergovernmental receivable	106,915
Prepayments	<u>4,343</u>
Total assets.	<u>498,652</u>
Deferred outflows of resources:	
Pension.	38,842
OPEB.	<u>1,021</u>
Total deferred outflows of resources	<u>39,863</u>
Liabilities:	
Current liabilities:	
Accounts payable	8,165
Intergovernmental payable.	<u>691</u>
Total liabilities	<u>8,856</u>
Net position:	
Unrestricted.	<u><u>529,659</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues:	
State Foundation	\$ 483,152
Special education	54,450
Other	<u>25,937</u>
 Total operating revenues	 <u>563,539</u>
 Operating expenses:	
Salaries and wages.	287,149
Fringe benefits.	36,385
Purchased services.	154,192
Materials and supplies	26,071
Depreciation	3,159
Other.	<u>15,392</u>
 Total operating expenses.	 <u>522,348</u>
 Operating income	 <u>41,191</u>
 Non-operating revenues:	
Federal and State grants	8,040
Interest income.	<u>848</u>
 Total non-operating revenues	 <u>8,888</u>
 Change in net position	 50,079
 Net position at beginning of year.	 <u>479,580</u>
 Net position at end of year	 <u><u>\$ 529,659</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Cash received from State Foundation	\$ 265,597
Cash received from special education	54,450
Cash received from other operations.	25,937
Cash payments for salaries and wages.	(287,149)
Cash payments for fringe benefits	(83,769)
Cash payments to suppliers for goods and services	(148,580)
Cash payments for materials and supplies	(7,950)
Cash payments for other expenses	<u>(17,231)</u>
Net cash used in operating activities	<u>(198,695)</u>
 Cash flows from noncapital financing activities:	
Cash received from Federal and State grants.	<u>8,040</u>
 Cash flows from investing activities:	
Interest received	<u>848</u>
Net decrease in cash and cash equivalents	(189,807)
Cash and cash equivalents at beginning of year.	<u>577,201</u>
Cash and cash equivalents at end of year	<u><u>\$ 387,394</u></u>
 Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 41,191
Adjustments:	
Depreciation.	3,159
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase in intergovernmental receivable	(90,494)
Decrease in prepayments.	16,717
Increase in deferred outflows - pension	(38,842)
Increase in deferred outflows - OPEB	(1,021)
Increase in accounts payable.	7,137
Decrease in intergovernmental payable	<u>(136,542)</u>
Net cash used in operating activities	<u><u>\$ (198,695)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE LEARNING CENTER

The Eagle Learning Center, Inc. (the “Learning Center”) was established pursuant to Ohio Revised Code Chapter 3314 to establish a new conversion school in Oregon City School District (the “District”) addressing the needs of students in grades 9 through 12. The Learning Center, which is part of the State’s education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Learning Center may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Learning Center.

The Learning Center is designed to meet the academic needs of high school students, grades 9 through 12, ages 16 through 22 (for regular education students) or ages 16 through 23 (for special education students), who are unsuccessful in the traditional educational setting. Typically, they are identified as students with special needs or are “at highest risk” for academic failure. Even with such significant issues, these students have a desire for an education when presented in a manner that can optimize learning. This can be done in an environment that does not include most ancillary components of a more traditional education. The objective of the Learning Center is to assist students in attaining a high school diploma by providing students: a curriculum delivery system that allows for individualized self-paced instruction, flexible operational hours that accommodate student work/family schedules, an opportunity to participate in career technical training programs available at the District’s high school facility, assistance in job placement, and one-on-one social-emotional support necessary to assist students in overcoming obstacles to success. Enrollment is limited to students within the attendance area of the District.

The Learning Center began operations on September 11, 2006 and provides services to approximately 71 students.

The Learning Center operates under the direction of a five-member Board of Directors (the “Governing Authority”) to include: a) four members who are public officials or City of Oregon residents who have an interest in furthering the objectives of the establishment and operation of the Learning Center, and b) one member who is a civic leader in the community served by the community school operated by the Learning Center. The Governing Authority is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The basic financial statements (BFS) of the Learning Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Learning Center's significant accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Learning Center’s reporting entity has been defined in accordance with 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 and Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Learning Center are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Learning Center. For the Learning Center, this includes general operations of the Learning Center.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Component units are legally separate organizations for which the Learning is financially accountable. The Learning Center is financially accountable for an organization if the Learning Center appoints a voting majority of the organization's governing board and (1) the Learning Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Learning Center is legally entitled to or can otherwise access the organization's resources; the Learning Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the Learning Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Learning Center in that the Learning Center approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statement of the reporting entity includes only those of the Learning Center (the primary government). The Learning Center has no component units.

B. 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.

C. 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.

D. Budgetary Process

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

E. Cash and Cash Equivalents

All monies received by the Learning Center are accounted for in central bank accounts. Monies are maintained in these accounts or temporarily used to purchase short-term investments. For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. The Learning Center does not have any investments.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

F. Capital Assets

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method. Furniture, fixtures and software are depreciated over three years and leasehold improvements are depreciated over ten years.

G. Net Position

Net position represents the difference between assets and deferred outflows and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources 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.

H. 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.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2019 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. Prepayments at June 30, 2019 consist of commercial insurance and rent.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

J. 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.

K. 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.

L. Deferred Outflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Learning Center, see Notes 7 and 8 for deferred outflows of resources related to the School's defined benefit pension plans and defined OPEB plans, respectively.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the Learning Center has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Learning Center.

NOTE 4 - DEPOSITS

At June 30, 2019, the carrying amount of all deposits was \$387,394 and the bank balance was \$387,394. Of the bank balance, \$273,269 was covered by the FDIC and \$114,125 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Learning Center to a successful claim by the FDIC.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 – DEPOSITS – (Continued)

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>06/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/2019</u>
Furniture, fixtures and equipment	\$ 117,224	\$ -	\$ -	\$ 117,224
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(177,254)</u>	<u>(3,159)</u>	<u>-</u>	<u>(180,413)</u>
Capital assets, net	<u>\$ 3,159</u>	<u>\$ (3,159)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2018 consisted of amounts owed to the Ohio Department of Education as a result of the full-time equivalent (FTE) enrollment review for fiscal year 2017. During fiscal year 2019, the Learning Center had the following activity in long-term obligations:

	<u>6/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2019</u>
Intergovernmental payable	<u>\$ 136,730</u>	<u>\$ -</u>	<u>\$ (136,730)</u>	<u>\$ -</u>

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Learning Center’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The Learning Center's contractually required contribution to SERS was \$8,899 for fiscal year 2019, all of which has been paid as of June 30, 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The School was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Learning Center's contractually required contribution to STRS was \$29,943 for fiscal year 2019, all of which had been paid by June 30, 2019.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Deferred Outflows of Resources Related to Pensions

At June 30, 2019, the Learning Center reported deferred outflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Contributions subsequent to the measurement date	\$ 8,899	\$ 29,943	\$ 38,842

These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

NOTE 8 - DEFINED BENEFIT OPEB PLANS

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Learning Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Learning Center's surcharge obligation was \$691.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Learning Center’s contractually required contribution to SERS was \$1,021 for fiscal year 2019. Of this amount, \$691 is reported as due to other governments.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Deferred Outflows of Resources Related to OPEB

At June 30, 2019, the Learning Center reported deferred outflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Contributions subsequent to the measurement date	\$ 1,021	\$ -	\$ 1,021

This amount will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

NOTE 9 - OPERATING LEASE

The Learning Center has signed an operating lease to rent facility space, for the period January 1, 2017 through December 31, 2018. During fiscal year 2019 the lease was extended through July 31, 2021. Monthly rent payments of \$2,000 are owed throughout the term of the lease. Payments made in fiscal year 2019 totaled \$21,600.

EAGLE LEARNING CENTER, INC.
LUCAS COUNTY, OHIO

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - PURCHASED SERVICES

For fiscal year 2019, purchased services expenses were as follows:

Professional and technical services	\$ 94,891
Property services	27,830
Travel mileage/meeting expense	31
Advertising	22,777
Utilities	<u>8,663</u>
Total	<u>\$ 154,192</u>

NOTE 11 - 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 a commercial insurance provider.

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 12 - CONTINGENCIES

A. Litigation

The Learning Center is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

B. Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. As a result of the final fiscal year 2019 FTE reviews, an immaterial intergovernmental payable due to ODE was reported at June 30, 2019.

In addition, the Learning Center's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 are finalized.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - SPONSORSHIP CONTRACT

The Learning Center was approved under contract with the Office of Ohio School Sponsorship at the Department of Education (the "Sponsor") commencing July 1, 2017 through June 30, 2018. The Sponsor is responsible for evaluating the performance of the Learning Center and has the authority to deny renewal of the contract at its expiration. On December 21, 2017 the sponsorship contract was extended for one additional year through June 30, 2019.

Under the terms of the Contract, the Learning Center is required to pay the Sponsor up to 3% of the funding provided to the Learning Center by the Ohio Department of Education as an oversight and monitoring (administrative) fee. In addition, in the event that the Sponsor provides substantially all of the special education and services required by an individualized education program, the Learning Center shall pay the Sponsor the funds the Learning Center received from the Ohio Department of Education on account of such student, except that the Learning Center may retain sufficient funds to cover its actual costs related to such student, if any. Any other payments from the Learning Center to the Sponsor shall be mutually agreed upon between the Learning Center and the Sponsor. The Learning Center paid \$12,864 in sponsor fees during fiscal year 2019.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE LEARNING CENTER'S PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 8,899
Contributions in relation to the contractually required contribution	<u>(8,899)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Learning Center's covered payroll	\$ 65,919
Contributions as a percentage of covered payroll	13.50%

Note: fiscal year 2019 was the first year of contributions for the Learning Center. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE LEARNING CENTER'S PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 29,943
Contributions in relation to the contractually required contribution	<u>(29,943)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Learning Center's covered payroll	\$ 213,879
Contributions as a percentage of covered payroll	14.00%

Note: fiscal year 2019 was the first year of contributions for the Learning Center. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE LEARNING CENTER'S OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ 1,021
Contributions in relation to the contractually required contribution	<u>(1,021)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Learning Center's covered payroll	\$ 65,919
Contributions as a percentage of covered payroll	1.55%

Note: fiscal year 2019 was the first year of contributions for the Learning Center. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**EAGLE LEARNING CENTER
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE LEARNING CENTER'S OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FISCAL YEAR

	<u>2019</u>
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
Learning Center's covered payroll	\$ 213,879
Contributions as a percentage of covered payroll	0.00%

Note: fiscal year 2019 was the first year of contributions for the Learning Center. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OHIO AUDITOR OF STATE KEITH FABER



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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
3320 West Market Street #300
Fairlawn, Ohio 44333

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Eagle Learning Center, Inc., Lucas County, Ohio (the Learning Center) as of and for the year ended June 30, 2019, 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 March 25, 2020.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Learning Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 25, 2020

OHIO AUDITOR OF STATE KEITH FABER



EAGLE LEARNING CENTER, INC.

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2020**