

Dave Yost • Auditor of State



**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Liberty Preparatory School  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Liberty Preparatory School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School'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 School'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 School'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 the Liberty Preparatory School, Wayne County, Ohio, as of June 30, 2015, 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.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School has elected to change its financial presentation from cash basis to Generally Accepted Accounting Principles (GAAP) basis. 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 March 30, 2016, on our consideration of the School'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 School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 30, 2016

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

The management's discussion and analysis of the Liberty Preparatory School's ("School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position was a balance of \$85,667 at June 30, 2015.
- The School had operating revenues of \$333,104, operating expenses of \$290,742 and nonoperating revenues of \$2,538 for fiscal year 2015. The total change in net position for the fiscal year was an increase of \$44,900.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic financial statements and the notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School's Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows***

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2015?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-16 of this report.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

The table below provides a summary of the School's net position for 2015 compared to 2014. Certain 2014 amounts have been restated for presentation on a GAAP basis (see note 3.B. of the notes to the basic financial statements for detail).

**Net Position**

		(restated)
	2015	2014
<b><u>Assets</u></b>		
Current assets	\$ 138,312	\$ 77,622
<b><u>Liabilities</u></b>		
Current liabilities	52,645	36,855
<b><u>Net Position</u></b>		
Restricted	173	-
Unrestricted	85,494	40,767
Total net position	<u>\$ 85,667</u>	<u>\$ 40,767</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the School's net position was a balance of \$85,667.

Current assets include the School's demand deposit account and prepaids. Current liabilities include both accounts payable due to vendors for goods and services and payments owed to Midland Council of Governments and Tri-County Education Service Center for services provided to the School by those entities.

A portion of the School's net position, \$173, represents resources that are subject to external restriction on how they may be used. Unrestricted net position may be used to meet the School's ongoing obligations to students and creditors.



**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

The table below shows the changes in net position for 2015 compared to 2014. Certain 2014 amounts have been restated for presentation on a GAAP basis (See Note 3.B. of the notes to the basic financial statements for detail).

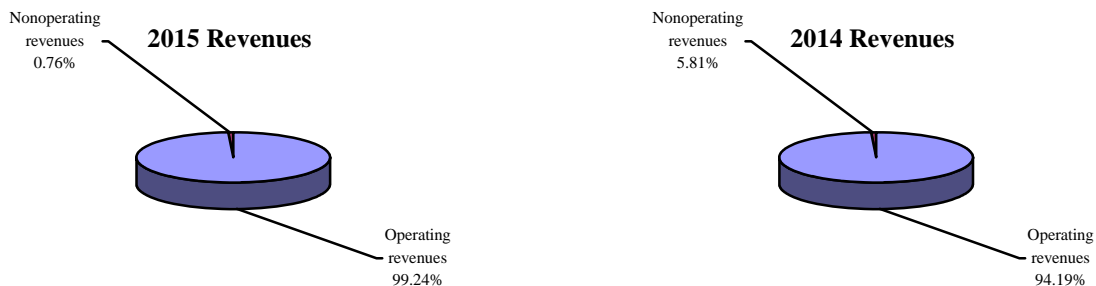
**Change in Net Position**

	2015	(restated) 2014
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 333,104	\$ 94,088
Total operating revenues	<u>333,104</u>	<u>94,088</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	244,187	43,697
Materials and supplies	37,047	1,361
Other	<u>9,508</u>	<u>14,068</u>
Total operating expenses	<u>290,742</u>	<u>59,126</u>
<b><u>Nonoperating Revenues:</u></b>		
Grants and subsidies	1,920	5,800
Interest revenue	19	-
Donations and contributions	<u>599</u>	<u>5</u>
Total nonoperating revenues	<u>2,538</u>	<u>5,805</u>
Change in net position	44,900	40,767
Net position at beginning of year	<u>40,767</u>	<u>-</u>
Net position at end of year	<u>\$ 85,667</u>	<u>\$ 40,767</u>

Fiscal year 2015 was the second year of operations for the School. The School is reliant upon State foundation revenue to support operations. The School also receives federal grant revenue which is reported as non-operating revenue.

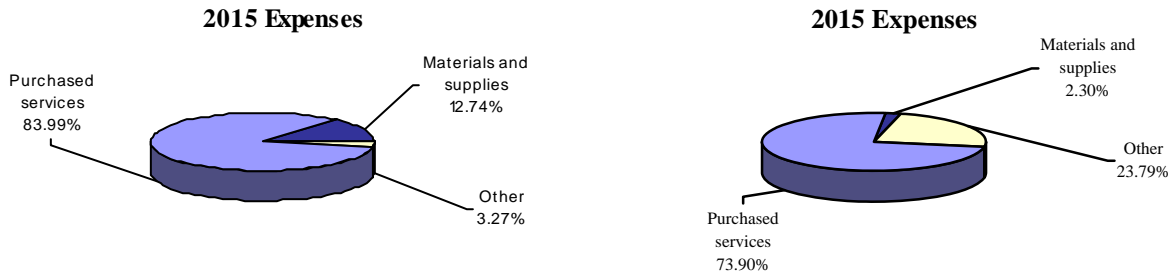
Purchased services are the largest expense to the School. Purchased services expenses primarily include payments made to Midland Council of Governments and Tri-County Educational Service Center for various services as outlined in Note 9 to the basic financial statements.

The charts below illustrate the revenues and expenses for the School during fiscal years 2015 and 2014.



**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**



**Capital Assets**

The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2015.

**Current Financial Related Activities**

The School is reliant upon State foundation monies and State and federal grants to offer quality, educational services to students.

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

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Sandy Hadsell, Treasurer, Liberty Preparatory School, 161 S. Main St., PO Box 4443, Creston, OH 44217.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

**Assets:**

Equity in pooled cash and cash equivalents . . . . .	\$	137,953
Prepayments . . . . .		359
		138,312
Total assets. . . . .		138,312

**Liabilities:**

Accounts payable. . . . .		152
Intergovernmental payable . . . . .		52,493
		52,645
Total liabilities . . . . .		52,645

**Net position:**

Restricted for:		
Other purposes. . . . .		173
Unrestricted. . . . .		85,494
		85,667
Total net position. . . . .	\$	85,667

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 333,104
Total operating revenues . . . . .	333,104
<b>Operating expenses:</b>	
Purchased services. . . . .	244,187
Materials and supplies . . . . .	37,047
Other. . . . .	9,508
Total operating expenses. . . . .	290,742
Operating income . . . . .	42,362
<b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	1,920
Interest revenue . . . . .	19
Miscellaneous . . . . .	599
Total nonoperating revenues. . . . .	2,538
Change in net position . . . . .	44,900
<b>Net position at beginning of year (restated).</b>	40,767
<b>Net position at end of year . . . . .</b>	<b>\$ 85,667</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Cash flows from operating activities:**

Cash received from state foundation . . . . .	\$	324,516
Cash payments for contractual services . . . . .		(219,809)
Cash payments for materials and supplies . . . . .		(37,047)
Cash payments for other expenses . . . . .		(9,508)
		58,152
Net cash provided by operating activities . . . . .		58,152

**Cash flows from noncapital financing activities:**

Cash received from grants and subsidies. . . . .		1,920
Cash received from contributions and donations . . . . .		599
		2,519
Net cash provided by noncapital financing activities. . . . .		2,519

**Cash flows from investing activities:**

Interest received . . . . .		19
		19
Net cash provided by investing activities . . . . .		19

Net increase in cash and cash equivalents . . . . .		60,690
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Cash and cash equivalents at beginning of year . . . . .		77,263
Cash and cash equivalents at end of year . . . . .	\$	137,953

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income . . . . .	\$	42,362
Changes in assets and liabilities:		
Increase in accounts payable . . . . .		152
Increase in intergovernmental payable . . . . .		15,638
		15,790
Net cash provided by operating activities . . . . .	\$	58,152

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Liberty Preparatory School, Wayne County, Ohio (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status. The School's objective is to specifically address the needs of students who have met some academic requirements but have failed to successfully complete all those requirements necessary for the attainment of the high school diploma, or for those wishing to pursue a career or post-secondary study. The ultimate focus of the School's curriculum is to assist its students to earn credits for promotion through grades 7-12 and ultimately in earning a high school diploma while preparing them for higher education and employment opportunities. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation under a contract with the Tri-County Educational Service Center (the "Sponsor") for a period of three years commencing July 1, 2013 through June 30, 2016. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Tri-County Educational Service Center provides teaching and administrative staff to the School on a contract basis. Midland Council of Governments provides technical support staff and services.

The School has entered into purchased service agreements with the Tri-County Educational Service Center to provide various purchased services to the School. Terms of the purchased service agreements are further described in Note 9.

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School's one instructional/support facility which provides services to 95 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the School 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 School's significant accounting policies are described below.

**A. Basis of Presentation**

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenue resulting from nonexchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, the School is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

**E. Cash**

All monies received by the School are deposited into a demand deposit account.

**F. Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Amounts restricted for other purposes include amounts restricted for school support.

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



**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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

**G. Intergovernmental Revenue**

The School currently participates in the State Foundation Program. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2015 school year, excluding all other federal and State grants, totaled \$333,104. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. 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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. State grant revenue for the fiscal year 2015 received was \$1,920.

**H. 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.

**I. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2015.

**J. Prepayments**

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting these definitions are reported as non-operating.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the School has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the note disclosures or on the financial statements of the School.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the School.

**B. Change in Basis of Accounting**

Ohio Administrative Code, Section 117-2-03(B), requires the School to prepare its annual financial report in accordance with GAAP. For fiscal year 2015, the School changed from a cash-basis of accounting to GAAP-basis of accounting. Net position at June 30, 2014 has been restated to account for the change in basis of accounting.

The transition to the GAAP-basis of accounting from the cash-basis of accounting had the following effect on net position at June 30, 2014:

Fund cash balance at June 30, 2014	\$	77,263
Adjustments for accrual basis of accounting:		
Prepayments		359
Intergovernmental payable		<u>(36,855)</u>
Net position at June 30, 2014	\$	<u>40,767</u>

**NOTE 4 - DEPOSITS**

At June 30, 2015, the carrying amount of all School deposits was \$137,953. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, the entire bank balance of \$138,019 was covered by the Federal Deposit Insurance Corporation (FDIC).

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 5 - PURCHASED SERVICES**

For fiscal year 2015, purchased services expenses were as follows:

Professional Services	\$ 226,324
Property Rental and Services	12,092
Travel, Mileage and Meetings	1,488
Communications	<u>4,283</u>
 Total Purchased Services	 <u>\$ 244,187</u>

**NOTE 6 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is covered under the insurance policies maintained by Liberty Preparatory School as purchased through the Cincinnati Insurance. The school facility is insured by Smithville United Methodist Church. Settled claims did not exceed this commercial coverage through June 30, 2015. There have been no significant reductions in coverage from the last year.

**NOTE 7 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2015.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2014 FTE reviews, the School owed ODE \$23,873. Of this amount, \$9,549 was paid in fiscal year 2015 and \$14,324 will be paid in fiscal year 2016. The amount of \$14,324 has been reported as an intergovernmental payable on the statement of net position. As a result of the fiscal year 2015 FTE reviews, the School owes ODE \$961. This amount has been reported as an intergovernmental payable on the statement of net position.

**C. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**NOTE 8 - OPERATING LEASE**

The School has entered into an operating lease with the Smithville United Methodist Church for rent of the School's instructional facility located at 243 N. Milton St., Smithville, Ohio 44677. The lease calls for an annual rental payment of \$8,000 for the period August 1, 2014 through June 30, 2015, and \$24,000 for the period of August 1, 2015 through July 31, 2016.

**NOTE 9 - SPONSOR CONTRACT AND PURCHASED SERVICE AGREEMENTS**

**A. Tri-County Educational Service Center**

The School entered into a one-year contract on August 26, 2014 with Tri-County Educational Service Center (the "ESC") for sponsorship oversight and monitoring services and instructional staff services. Under this contract, the following terms were agreed upon:

1. The ESC will perform sponsorship oversight and monitoring services to the School for the fiscal year for a fee equal to 3% of the School's State of Ohio Foundation Settlement distribution.
2. The School shall pay the ESC for instructional staff services as required by the School. The School will be invoiced for the applicable instructional staff time used by the School. A 3% Payroll Fee will be assessed to the school by the ESC.
3. The purchased services agreement for fiscal year 2015 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to March 15, 2015 of any change in the services to be purchased for the term commencing July 1, 2015 through June 30, 2016.

For fiscal year 2015, \$195,021 was paid to the ESC for sponsorship oversight and monitoring services and instructional staff services under the agreement. To obtain the ESC's audited June 30, 2015 financial statements, please contact Ms. Mary Workman, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

**B. Midland Council of Governments**

The School entered into a one-year contract with the Midland Council of Governments (the "COG") for technology support services. Under this contract, the following terms were agreed upon:

1. The COG will provide technology support services to the school for fiscal year 2015.

For fiscal year 2015, \$13,169 was paid to the COG for technology support services under the agreement.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Liberty Preparatory School  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Liberty Preparatory School, Wayne County, Ohio, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 30, 2016, wherein we noted the School elected to change its financial presentation from cash basis to Generally Accepted Accounting Principles (GAAP) basis.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School'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 School'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 School'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 30, 2016

LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2015

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

FINDING NUMBER 2015-001

**Material Weakness**

**Financial Statement Presentation**

The compilation and presentation of materially correct financial statements and related footnotes is the responsibility of management of the School. This responsibility remains intact, even if management outsources this function for efficiency purposes, or any other reason, to another accountant or consultant. It is also important to note that the accountant or consultant are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

Intergovernmental payables of \$7,565 relating to services provided during fiscal year 2015, but not paid until fiscal year 2016, were not included in the intergovernmental payables as originally presented in the Schools' financial statements. This adjustment was posted to the Schools financial statements.

Errors to the financial statements do not allow management to properly review and monitor the School's activities.

We recommend the School implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

**Officials' Response:** We did not receive a response from Officials to the above finding.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2014-001	<b>Noncompliance - ORC 117.38 &amp; OAC 117-2-03(B)</b> – The School prepared cash basis financial statements rather than GAAP.	Yes	
2014-002	<b>Noncompliance/Material Weakness – ORC 3314.03(A)(5), (6)(b), and ORC 3321.19(C)</b> – The School did not maintain documentation for all students who withdrew.	Yes	





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Liberty Preparatory School  
Wayne County  
350 South Main Street  
Creston, Ohio 44217

To the Board of Directors:

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

1. In our report dated March 27, 2015, we noted the Board had not adopted an anti-harassment policy.
2. The Board adopted the policy on November 6, 2014. We read the adopted policy, noting it includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 30, 2016

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# Dave Yost • Auditor of State

**LIBERTY PREPARATORY SCHOOL**

**WAYNE 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 28, 2016**