LIBERTY HIGH SCHOOL
MONTGOMERY COUNTY

INITIAL AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

LIBERTY HIGH SCHOOL
MONTGOMERY COUNTY
JUNE 30, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Liberty High School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Liberty High School, Montgomery County, Ohio (the School), as of and for the year ended June 30, 2018, 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 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 Liberty High School, Montgomery County, Ohio, as of June 30, 2018, 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 13 to the financial statements, the School has a net position deficit at June 30, 2018. Note 14 describes Management's evaluation of these events and conditions and their plans to mitigate these matters. Our opinion is unmodified 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*, and schedules of net 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 August 2, 2019, 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 2, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The discussion and analysis of the Liberty High School (the School), financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2017-2018 school year are as follows:

- Total assets were $174,117.
- Deferred outflows were $39,033.
- Total liabilities were $449,041.
- Total net position was ($235,891).
- Total operating and non-operating revenues were $690,721. Total operating expenses were $926,612.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the School did financially during fiscal year 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net position and changes in that position. This change in net position is important because it tells the reader whether 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. Non-financial factors include the School's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

Statement of Net Position **-** The Statement of Net Position answers the question of how the School performed financially during 2018. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's Net Position for fiscal year 2018. This is the School's first year of operation, therefore, comparative information is not available.

Table 1
Statement of Net Position

	2018
Assets	
Current Assets	$ 79,568
Non-Current Assets	15,000
Capital Assets, Net	79,549
Total Assets	174,117
Total Deferred Outflows or Resources	39,033
Liabilities	
Current Liabilities	449,041
Total Liabilities	449,041
Net Position	
Net Investment in Capital Assets	79,549
Unrestricted	(315,440)
Total Net Position	$ (235,891)

Current assets represent cash and cash equivalents, intergovernmental receivable and other receivable. Current liabilities represent accounts payable, intergovernmental payable, and accrued expenses.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School's net position totaled $(235,891).

Statement of Revenues, Expenses and Change in Net Position **-** Table 2 shows the change in net position for fiscal year 2018, as well as a listing of revenues and expenses. 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 cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. This is the School's first year of operation, therefore, comparative information is not available.

Table 2
Change in Net Position

	2018
Operating Revenue	
State Aid	$ 616,729
Other Revenue	1,743
Total Operating Revenues	618,472
Non-Operating Revenues	
Federal Grants	72,249
Total Non-Operating Revenue	72,249
Total Revenues	690,721
Operating Expenses	
Purchased Services	435,870
Facility Costs	146,625
Professional Fees	152,779
Legal Fees	25,144
Sponsor Fees	16,536
Materials and Supplies	72,008
Miscellaneous	56,927
Depreciation	20,723
Total Operating Expenses	926,612
Change in Net Position	(235,891)
Net Position, Beginning of Year	-
Net Position, End of Year	$ (235,891)

BUDGET

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was $79,549. There were current year additions of $100,272 offset by current year depreciation of $20,723. For more information on capital assets, see Note 5 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community school and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In fiscal year 2018, the State raised the base per pupil funding to $6,010, which is up from the $6,000 in the previous year.

The full-time equivalent enrollment of the School for the year ended June 30, 2018 was 84.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of students.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 140 N. Keowee St., Dayton, OH 45402 or e-mail at dave@massasolutionsllc.com.

LIBERTY HIGH SCHOOL
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 66,159
Intergovernmental Receivable	3,978
Other Receivable	9,431
Total Current Assets	79,568
Noncurrent Assets:	
Other Assets	15,000
Capital Assets:	
Depreciable Capital Assets, net	79,549
Total Noncurrent Assets	94,549
Total Assets	174,117
Deferred Outflows of Resources	
Pension	38,883
OPEB	150
Total Deferred Outflows of Resources	39,033
Liabilities	
Current Liabilities:	
Accounts Payable	398,235
Intergovernmental Payable	35,957
Accrued Expenses	14,849
Total Current Liabilities	449,041
Total Liabilities	449,041
Net Position	
Investment in Capital Assets	79,549
Unrestricted	(315,440)
Total Net Position	$ (235,891)

See accompanying notes to the basic financial statements

LIBERTY HIGH SCHOOL
MONTGOMERY COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDING JUNE 30, 2018

Operating Revenues	
State Aid	$ 616,729
Other Revenue	1,743
Total Operating Revenues	618,472
Operating Expenses	
Purchased Services	435,870
Facility Costs	146,625
Professional Fees	152,779
Legal Fees	25,144
Sponsor Fees	16,536
Materials and Supplies	72,008
Miscellaneous	56,927
Depreciation	20,723
Total Operating Expenses	926,612
Operating (Loss)	(308,140)
Non-Operating Revenues	
Federal Grants	72,249
Total Non-Operating Revenues	72,249
Change in Net Position	(235,891)
Net Position, Beginning of Year	-
Net Position, End of Year	$ (235,891)

See accompanying notes to the basic financial statements

LIBERTY HIGH SCHOOL
MONTGOMERY COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 639,276
Cash Received from Other Sources	1,743
Cash Payments to Suppliers for Goods and Services	(546,837)
Net Cash Provided By Operating Activities	94,182
Cash Flows from Non-Capital Financing Activities	
Cash Received from Federal Grants	72,249
Net Cash Provided by Non-Capital Financing Activities	72,249
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Acquisitions	(100,272)
Net Cash (Used for) capital Financing Activities	(100,272)
Net Increase in Cash and Cash Equivalents	66,159
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	$ 66,159

(Continued)

LIBERTY HIGH SCHOOL –
MONTGOMERY COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	$ (308,140)
Depreciation	20,723
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Intergovernmental Receivable	(3,978)
(Increase)/ Decrease in Other Receivable	(9,431)
(Increase)/ Decrease in Other Assets	(15,000)
(Increase)/ Decrease in Deferred Outflows	(39,033)
Increase/ (Decrease) in Accounts Payable	398,235
Increase/ (Decrease) in Intergovernmental Payable	35,957
Increase/ (Decrease) in Accrued Expense	14,849
Net Cash Provided by Operating Activities	$ 94,182

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE ENTITY

Liberty High School, (the School) is a state nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School specializes in providing students ages 16-21 with an authentic learning experience in a collaborative and nurturing environment. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracted with Cambridge Education Group, LLC, an Ohio limited liability company, ("Cambridge") for most of its functions, and Cambridge is the entity with which the School Board interacts regarding day-to-day operations (See Note 10).

The School was approved for operation under a contract with St. Aloysius Orphanage, (the Sponsor) for a one-year period commencing on July 1, 2017, with automatic one-year renewals through June 30, 2023. 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 School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract with the Sponsor which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation **-** The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in net position, financial position and cash flows.

The Government Accounting Standards Board identifies the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 of resources and all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in 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 is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process **-** Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception of section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents **-** Cash received by the School is reflected as “Cash and Cash Equivalents” on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2018.

Estimates **-** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Capital Assets and Depreciation **-** Capital assets are capitalized at cost. Donated capital assets are recorded at their acquisition values as of the date received. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from net position. Capital assets were $79,549, as of June 30, 2018, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

Asset Class	Useful Life
Computers & Technology	3 years
Furniture, Fixtures, & Equipment	5 years

The School’s policy for asset capitalization threshold is $5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying statement of net position.

Intergovernmental Revenues **-** The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

Eligibility requirements include 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.

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded $616,729 this fiscal year from the State Foundation Program and $72,249 from Federal Grants.

Compensated Absences **-** Vacation is taken in a manner which corresponds with the school calendar; therefore, the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

Accrued Liabilities **-** Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable of $398,235, intergovernmental payable of $35,957 and accrued expenses of $14,849 at June 30, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange and Non-Exchange Transactions **-** 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. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include 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 expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

Net Position **-** Net position represent the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Operating Revenues and Expenses **-** Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2018.

Pensions and Other Postemployment Benefits (OPEB) **-** For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Deferred Outflows and Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 School, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 7 and 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. The School did not have any deferred inflows of resources related to pension or OPEB as of fiscal year end.

NOTE 3 - CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit, and Investment Risk Disclosures”.

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2018, the book amount of the School's deposits was $66,159 and the bank balance was $102,301.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may note be returned. The School had no deposit policy for custodial risk beyond the requirements of state statute. Ohio law requires any deposit not covered by depository insurance to be collateralized by the financial institution with pledged securities. Ohio law require that deposits either be insured or be protected by:

> Eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> 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 repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 4 - RECEIVABLES

Intergovernmental Receivable **-** The School has intergovernmental receivables totaling $3,978 at June 30, 2018. These receivables represented monies due to the School from government sources, but not received as of June 30, 2018.

Other Receivable **-** The School had other receivable balances totaling $9,431 at June 30, 2018.

NOTE 5 - CAPITAL ASSETS

For the period ending June 30, 2018, the School's capital assets consisted of the following:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Capital Assets:				
Furniture, Fixtures, & Equipment	$ -	$ 54,672	$ -	$ 54,672
Computers	-	45,600	-	45,600
Total Capital Assets	-	100,272	-	100,272
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	-	(8,056)	-	(8,056)
Computers	-	(12,667)	-	(12,667)
Total Accumulated Depreciation	-	(20,723)	-	(20,723)
Capital Assets, Net	$ -	$ 79,549	$ -	$ 79,549

NOTE 6 - RISK MANAGEMENT

Property & Liability **-** 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. During the fiscal year ending June 30, 2018, the School contracted with The Cincinnati Insurance Company for nonprofits and maintained general liability insurance with a $1,000,000 single occurrence limit and $2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of $10,000,000.

NOTE 7 - DEFINED BENEFIT PENSIONS PLANS

The School has contracted with Cambridge Education Group, LLC to provide all teaching and administrative personnel. Such personnel are employees of Cambridge; however, the School is responsible for monitoring and ensuring that Cambridge makes pension contributions on its behalf. The retirement systems consider Cambridge as the “Employer of Record”, however the School is ultimately responsible for remitting contributions to each of the systems noted below.

Net Pension Liability - In future periods, the School will report a net pension liability on the statement of net position. The net pension liability represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School’s obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued expense.

NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)

Plan Description – School 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.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	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 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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent 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 percent for plan members and 14 percent 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was $4,062 for fiscal year 2018.

State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members 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 Web site at www.strsoh.org.

NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)

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 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 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 25 years of service, or 30 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 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent 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 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions are 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 that 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 the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contribution to STRS was $34,821 for fiscal year 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to Pensions are not applicable to the School at June 30, 2018, due to the School not being in operation during the measurement period.

NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)

At June 30, 2018, the School reported deferred outflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
School contributions subsequent to the measurement date	$ 4,062	$ 34,821	$ 38,883
Total Deferred Outflows of Resources	$ 4,062	$ 34,821	$ 38,883

$38,883 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

NOTE 8 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability **–** In future periods, the School will report a net OPEB liability on the statement of net position. The net OPEB liability represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the School's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which OPEB are financed; however, the School does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*.

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

School Employees Retirement System (SERS)

Health Care Plan Description - The School 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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent 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 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School's surcharge obligation was $0.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was $150 for fiscal year 2018.

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.

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

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 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources (with the exception of deferred outflows of resources related to School contributions subsequent to the measurement date) and Deferred Inflows of Resources Related to OPEBs are not applicable to the School at June 30, 2018, due to the School not being in operation during the measurement period.

At June 30, 2018, the School reported deferred outflows of resources related to OPEBs from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
School contributions subsequent to the measurement date	$ 150	$ -	$ 150
Total Deferred Outflows of Resources	$ 150	$ -	$ 150

$150 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

NOTE 9 - CONTINGENCIES

Grants **-** The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

Litigation **-** There are currently no matters in litigation with the School as defendant.

School Foundation **-** 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. ODE performed such a review on the School for fiscal year 2018.

NOTE 9 - CONTINGENCIES (contingency)

The School owed ODE $35,957 as a result of the FTE adjustment. ODE will be recovering the amount in 22 equal adjustments of $1,634 from future foundation payments. The amount due to ODE has been reported as intergovernmental payable.

Due to the above noted adjustment $1,079 is due back from the School's Sponsor and $6,472 is due back from the Management Company.

NOTE 10 - SPONSOR AND MANAGEMENT CONTRACTS

Sponsor **-** The School contracted with St. Aloysius Orphanage as its sponsor and oversight services, monitoring and technical assistance. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2018, the total sponsorship fees paid totaled $16,536.

Management Company **-** The School entered into an agreement with Cambridge Education Group LLC, a local nonprofit management company, to provide management and day-to-day operational functions for fiscal year 2018. The agreement was for a period of five years beginning July 1, 2017, and automatically renewed for an additional three year period beginning July 1, 2022. Management fees are calculated as 18% of the total qualified gross revenues. The total amount paid by the School for the fiscal year ending June 30, 2018 was $111,587 and is included under “Purchased Services” on the Statement of Revenues, Expenses and Change in Net Position.

In addition to the management fee described above, the School will reimburse Cambridge for its payroll and other costs eligible for reimbursement. Cambridge acknowledges that pursuant to Ohio law, Company's State Teachers Retirement System ("STRS") and State Employees Retirement System ("SERS") contributions on behalf of the Company employees employed at the School will be withheld by the State of Ohio.

The School had purchased service expenses for the year ended June 30, 2018 to Cambridge of $324,283 for salaries and benefits and $111,587 for management fees. At June 30, 2018, the School owed Cambridge $348,373 for services and advances made to the School, which are included in accounts payable.

In May, 2018, the Board approved the assignment of the Management Agreement with Cambridge Education Group, LLC to Oakmont Education, LLC effective July 1, 2018.

NOTE 11 – MANAGEMENT COMPANY EXPENSES

As of June 30, 2018, Cambridge Education Group LLC and its affiliates incurred the following expenses on behalf of the School:

NOTE 11 – MANAGEMENT COMPANY EXPENSES (continued)

	Regular Instruction	Special Instruction	Support Services	Non - Instructional	Total
Direct Expenses:					
Salaries & Wages	$134,653	$36,863	$107,352		$278,868
Employees' Benefits	20,606	5,289	15,426		41,321
Professional & Technical Services				12,975	12,975
Travel				19,463	19,463
Communications				2,433	2,433
Contracted Craft or Trade Services				14,597	14,597
Supplies	1,622			10,542	12,164
Other Direct Costs				19,463	19,463
Overhead			30,244	17,546	47,790
Total Expense	$156,881	$42,152	$153,022	$97,019	$449,074

Cambridge charges overhead expenses benefiting more than one school on a pro-rated basis based on full time equivalents (FTE) headcount as of June 30, 2018 for each school it manages.

NOTE 12 - LEASE OBLIGATIONS

In May 2017, the School entered into a lease agreement with Vaughn Investment Company, LLP for the school premises. The initial lease term is for five years with a renewal option of two additional five-year terms. The base rent is $2,000 per month for months 1 through 3, $5,000 for months 4 through 12, $8,500 for months 13 through 24 and $11,000 for months 25 to 60. Additionally, the lease requires additional monthly rent of $2,219 per month.

Future lease obligations are as follows:

FY 2019	$ 128,626
FY 2020	158,626
FY 2021	158,626
FY 2022	158,626
Total	$ 604,504

NOTE 13 - FISCAL DISTRESS

Several factors have caused the School to experience fiscal distress. The School's cash balance at June 30, 2018 was $66,159. Additionally, the School has significant liabilities at June 30, 2018 which has resulted in a deficit net position of ($235,891). Overcoming this deficit may be difficult without significant increases in student enrollments and related revenues in order to pay off outstanding liabilities and cover ongoing operating costs.

NOTE 14 - MANAGEMENT PLAN

The amount owed to Cambridge Education Group, LLC, at June 30, 2018 is for unpaid operating expenses and outstanding advances for the start-up of the School. Cambridge remains committed to the success of the School both academically and financially. During the School's second year of operations, stronger efforts in student recruitment and the use of Federal funds are improving the financial performance of the School.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS – PENSION PLAN
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
CURRENT FISCAL YEAR (1)

	2018
Contractually Required Contribution	$ 4,062
Contributions in Relation to the Contractually Required Contribution	(4,062)
Contribution Deficiency (Excess)	-
School Covered Payroll	$ 30,089
Contributions as a Percentage of Covered Payroll	13.50%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS – PENSION PLAN
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
CURRENT FISCAL YEAR (1)

	2018
Contractually Required Contribution	$ 34,821
Contributions in Relation to the Contractually Required Contribution	(34,821)
Contribution Deficiency (Excess)	$ -
School Covered Payroll	$ 248,721
Contributions as a Percentage of Covered Payroll	14.00%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS – OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
CURRENT FISCAL YEAR (1)

	2018
Contractually Required Contribution (2)	$ 150
Contributions in Relation to the Contractually Required Contribution	(150)
Contribution Deficiency (Excess)	-
School Covered Payroll	$ 30,089
OPEB Contributions as a Percentage of Covered Payroll (2)	0.50%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

(2) Includes Surcharge

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS – OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
CURRENT FISCAL YEAR (1)

	2018
Contractually Required Contribution	$ -
Contributions in Relation to the Contractually Required Contribution	-
Contribution Deficiency (Excess)	$ -
School Covered Payroll	$ 248,721
Contributions as a Percentage of Covered Payroll	0.00%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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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*

Liberty High School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

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 Liberty High School, Montgomery County, (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 2, 2019, wherein we noted that the School is facing significant financial difficulties.

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. 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 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 2, 2019

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

FINDING NUMBER 2018-001

NONCOMPLIANCE

Ohio Rev. Code § 3301.0714 establishes the Education Management Information System (EMIS) which serves as a statewide data collection system for Ohio's primary and secondary education, including demographic information, attendance, course information, financial data, and test results.

Additionally, **Ohio Rev. Code § 3301.0714 (L)(1)** authorizes Ohio Department of Education (ODE) to sanction any school district that reports incomplete or inaccurate data, reports data that does not conform to data requirements and descriptions published by the department, fails to report data in a timely manner, or otherwise does not make a good faith effort to report data as required by this section.

In accordance with Ohio Rev. Code § 3301.0714, ODE has published an EMIS Manual available online at http://education.ohio.gov/Topics/Data/EMIS/EMIS-Documentation/Current-EMIS-Manual. Included in the manual are data definitions, requirements, and reporting procedures to assist the School with submission, review, validation and correction of data.

Lack of proper controls over EMIS reporting resulted in the following errors being detected during our test over average daily membership:

1. A student was withdrawn from the School due to habitual truancy on October 23, 2017. On November 17, 2017, the student was re-enrolled in the School; however, no paperwork was completed to re-enroll the student.

2. For six out of ten students tested, Progress book attendance logs from the School did not agree to the District Wide Membership Report (R500) from EMIS system.

3. For two out of ten students tested, the School used the wrong code to withdraw students from the EMIS system. There were two additional students who were withdrawn from the EMIS system when they switched from the morning to the afternoon schedule.

The School should establish and implement policies and procedures to verify that information reported to ODE is complete, accurate and conforms to the State requirements. Failure to do so could result in the School being subject to sanctions by ODE and loss of future state foundation revenue.

This issue is being referred to the Ohio Department of Education.

Official's Response: This was the School's first year of operation during 2017-2018 fiscal year. The School contacts with an Operator to oversee the reporting requirements and documentation for enrollment and withdrawal of students. The Operator has assured the School that the school staff will continue to receive additional training and support on maintaining appropriate documentation and reporting withdrawals and attendance appropriately.

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OHIO AUDITOR OF STATE
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Independent Accountants' Report on Applying Agreed-Upon Procedure

Liberty High School
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

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 High School (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666 and Ohio Rev. Code Section 3314.03(a)(11)(d) for the period ended June 30, 2018. Management is responsible for complying with this requirement. 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. We inspected the Board minutes and observed that the Board adopted an anti-harassment policy at its meeting on October 16, 2017.

Ohio Rev. Code Section 3313.666(B) and Ohio Rev. Code Section 3314.03(a)(11)(d) specifies the following requirements must be included in anti-harassment policies. We inspected the policy for proper inclusion of these requirements:

1. A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;

2. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666. The act defines that term as "any intentional written, verbal, electronic or physical act that a student has exhibited toward another particular student more than once and the behavior both (1) causes mental or physical harm to the other student, (2) is sufficiently severe, persistent, or pervasive that it creates an intimidating, threatening, or abusive educational environment for the other student," and violence within a dating relationship.;

3. A procedure for reporting prohibited incidents;

4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

5. A requirement that the custodial parent or guardian of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

6. A procedure for documenting any prohibited incident that is reported;

7. A procedure for responding to and investigating any reported incident;

8. A strategy for protecting a victim from new or additional harassment, intimidation, or bullying, and from retaliation following a report, including a means by which a person may report an incident anonymously;

9. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

10. A statement prohibiting students from deliberately making false reports of harassment, intimidation, or bullying and a disciplinary procedure for any student responsible for deliberately making a false report of that nature;

11. A requirement that the administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of whether the School has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666 and is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

August 2, 2019

LIBERTY HIGH SCHOOL

MONTGOMERY 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
SEPTEMBER 12, 2019