

# Liberty High School Montgomery County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2019



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Liberty High School  
140 North Keowee Street  
Dayton, Ohio 45402

We have reviewed the *Independent Auditor's Report* of Liberty High School, Montgomery County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Liberty High School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 27, 2020

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**LIBERTY HIGH SCHOOL  
MONTGOMERY COUNTY, OHIO**

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December 5, 2019

To the Board of Trustees  
Liberty High School  
140 North Keowee Street  
Dayton, OH 45402

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Liberty High School, Montgomery County, Ohio, (the "School") as of and for the year ended June 30, 2019, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Liberty High School, Montgomery County, Ohio, as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School's Proportionate Share of the Net Pension Liability, Schedule of the School's Contributions-Pension, Schedule of the School's Proportionate Share of the Net OPEB Asset/Liability, and the Schedule of the School's Contributions - OPEB* as presented in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

*Rea & Associates, Inc.*

Dublin, Ohio



**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**FINANCIAL HIGHLIGHTS**

Key Financial Highlights for the School for the 2018-2019 school year are as follows:

- Total assets increased \$98,060 or 56% from 2018, due primarily to increases in cash and cash equivalents from operations.
- Deferred outflows of resources increased \$587,275, due to an increase in Pension/OPEB related accruals.
- Total liabilities increased \$566,582 due to an increase in Pension/OPEB liabilities resulting from application based on the School's recurring operation.
- Total net position was (\$206,829).
- Total operating and non-operating revenues were \$1,468,658. Total operating expenses were \$1,439,596.

**USING THIS ANNUAL REPORT**

This report consists of three parts: required supplemental information, 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 2019. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**Statement of Net Position** - The Statement of Net Position answers the question of how the School performed financially during 2019. This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 years 2019 and 2018.

**Table 1**  
**Statement of Net Position**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current Assets	\$ 163,615	\$ 79,568
Non-Current Assets	50,147	15,000
Capital Assets, Net	58,415	79,549
Total Assets	<u>272,177</u>	<u>174,117</u>
<b>Total Deferred Outflows or Resources</b>	<u>626,308</u>	<u>39,033</u>
<b>Liabilities</b>		
Current Liabilities	461,743	449,041
Long Term Liabilities	553,880	-
Total Liabilities	<u>1,015,623</u>	<u>449,041</u>
<b>Total Deferred Inflows of Resources</b>	<u>89,691</u>	<u>-</u>
<b>Net Position</b>		
Net Investment in Capital Assets	58,415	79,549
Unrestricted	<u>(265,244)</u>	<u>(315,440)</u>
<b>Total Net Position</b>	<u>\$ (206,829)</u>	<u>\$ (235,891)</u>

Current assets represent cash and cash equivalents, grants receivable and other receivables. Current assets increased \$84,047 due primarily to the increase in cash and cash equivalents from operations. Current liabilities represent accounts payable, intergovernmental payable, and accrued expenses. Increase in long term liabilities is the result of the first year of recognition of Net Pension/OPEB liabilities. Deferred outflows of resources and deferred inflows of resources all increased as a result of GASB 68 and 75 related accruals.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

The School has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB asset/liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB asset/liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB asset/liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a governments financial position. At June 30, 2019, the School's net position totaled (\$206,829).

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**Statement of Revenues, Expenses and Change in Net Position** - Table 2 shows the change in net position for fiscal years 2019 and 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.

**Table 2**  
**Change in Net Position**

	<u>2019</u>	<u>2018</u>
<b>Operating Revenue</b>		
State Aid	\$ 1,366,353	\$ 616,729
Other Revenue	6,081	1,743
Total Operating Revenues	<u>1,372,434</u>	<u>618,472</u>
<b>Non-Operating Revenues</b>		
Federal Grants	96,224	72,249
Total Non-Operating Revenue	<u>96,224</u>	<u>72,249</u>
<b>Total Revenues</b>	<u>1,468,658</u>	<u>690,721</u>
<b>Operating Expenses</b>		
Purchased Services	775,823	435,870
Pension/OPEB Expense	90,144	-
Facility Costs	203,749	146,625
Professional Fees	153,077	152,779
Legal Fees	10,992	25,144
Sponsor Fees	40,189	16,536
Materials and Supplies	79,512	72,008
Miscellaneous	59,976	56,927
Depreciation	26,134	20,723
Total Operating Expenses	<u>1,439,596</u>	<u>926,612</u>
<b>Change in Net Position</b>	29,062	(235,891)
<b>Net Position, Beginning of Year</b>	<u>(235,891)</u>	<u>0</u>
<b>Net Position, End of Year</b>	<u>\$ (206,829)</u>	<u>\$ (235,891)</u>

State aid increased \$749,624 as a result of the increase in student FTEs from 81 in 2018 to 136 in 2019. Operating expenses to serve the additional students also increased with increases in Purchased services to the Management Company to operate the School. The School also recognized additional pension/OPEB expenses related to GASB 68 and 75.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**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 \$58,415. There were current year additions of \$5,000 offset by current year depreciation of \$26,134. 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 2019, the State raised the base per pupil funding to \$6,020, which is up from the \$6,010 in the previous year.

The full-time equivalent enrollment of the School for the year ended June 30, 2019 was 136.

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](mailto:dave@massasolutionsllc.com).

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**LIBERTY HIGH SCHOOL –  
MONTGOMERY COUNTY, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

**Assets**

*Current Assets:*

Cash and Cash Equivalents	\$ 135,877
Grants Receivable	7,393
Other Receivable	20,345
Total Current Assets	<u>163,615</u>

*Noncurrent Assets:*

Other Assets	15,000
Net OPEB Asset	35,147
Capital Assets:	
Depreciable Capital Assets, net	58,415
Total Noncurrent Assets	<u>108,562</u>

Total Assets	<u>272,177</u>
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**Deferred Outflows of Resources**

Pension	524,070
OPEB	102,238
Total Deferred Outflows of Resources	<u>626,308</u>

**Liabilities**

*Current Liabilities:*

Accounts Payable	397,487
Intergovernmental Payable	39,814
Accrued Expenses	24,442
Total Current Liabilities	<u>461,743</u>

*Long Term Liabilities:*

Net Pension Liability	531,657
Net OPEB Liability	22,223
Total Long Term Liabilities	<u>553,880</u>

Total Liabilities	<u>1,015,623</u>
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**Deferred Inflows of Resources**

Pension	33,708
OPEB	55,983
Total Deferred Inflows of Resources	<u>89,691</u>

**Net Position**

Investment in Capital Assets	58,415
Unrestricted	(265,244)
Total Net Position	<u>\$ (206,829)</u>

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, 2019**

<b><u>Operating Revenues</u></b>	
State Aid	\$ 1,366,353
Other Revenue	6,081
	<hr/>
Total Operating Revenues	1,372,434
	<hr/>
<b><u>Operating Expenses</u></b>	
Purchased Services	775,823
Pension/OPEB Expense	90,144
Facility Costs	203,749
Professional Fees	153,077
Legal Fees	10,992
Sponsor Fees	40,189
Materials and Supplies	79,512
Miscellaneous	59,976
Depreciation	26,134
Total Operating Expenses	1,439,596
	<hr/>
<b>Operating (Loss)</b>	(67,162)
<b><u>Non-Operating Revenues</u></b>	
Federal Grants	96,224
Total Non-Operating Revenues	96,224
	<hr/>
<b>Change in Net Position</b>	29,062
<b>Net Position, Beginning of Year</b>	(235,891)
	<hr/>
<b>Net Position, End of Year</b>	\$ (206,829)
	<hr/>

See accompanying notes to the basic financial statements

**LIBERTY HIGH SCHOOL –  
MONTGOMERY COUNTY, OHIO**

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

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$ 1,363,275
Cash Received from Other Sources	6,081
Cash Payments to Suppliers for Goods and Services	<u>(1,383,468)</u>
Net Cash Used By Operating Activities	<u>(14,112)</u>

**Cash Flows from Non-Capital Financing Activities**

Cash Received from Federal Grants	<u>88,830</u>
Net Cash Provided by Non-Capital Financing Activities	<u>88,830</u>

**Cash Flows from Capital and Related Financing Activities**

Cash Payments for Capital Acquisitions	<u>(5,000)</u>
Net Cash Used by Capital, and Related Financing Activities	<u>(5,000)</u>

**Net Increase in Cash and Cash Equivalents** 69,718

**Cash and Cash Equivalents, Beginning of Year** 66,159

**Cash and Cash Equivalents, End of Year** \$ 135,877

**(Continued)**

**LIBERTY HIGH SCHOOL –  
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED BY OPERATING ACTIVITIES**

<b>Operating Loss</b>	\$ (67,162)
Depreciation	26,134
Changes in Assets, Liabilities, and Deferred Inflows and Outflows of Resources:	
(Increase)/ Decrease in Intergovernmental Receivable	3,978
(Increase)/ Decrease in Other Receivable	(10,914)
(Increase)/ Decrease in Net OPEB Asset	(35,147)
(Increase)/ Decrease in Deferred Outflows	(587,274)
Increase/ (Decrease) in Accounts Payable	(747)
Increase/ (Decrease) in Intergovernmental Payable	3,857
Increase/ (Decrease) in Accrued Expense	9,592
Increase/ (Decrease) in Net Pension/OPEB Liability	553,880
Increase/ (Decrease) in Deferred Inflows	89,691
	<hr/>
Net Cash Used by Operating Activities	<u>\$ (14,112)</u>

See accompanying notes to the basic financial statements.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**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 Oakmont Education, LLC, an Ohio limited liability company, ("Oakmont") for most of its functions, and Oakmont 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, 2016, with automatic one-year renewals through June 30, 2021. 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 Revenue, 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.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

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

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

**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, 2019.

**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 \$58,415, as of June 30, 2019, 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:

<b><u>Asset Class</u></b>	<b><u>Useful Life</u></b>
Computers	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.

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

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

**Intergovernmental Revenues - (continued)**

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 \$1,366,353 this fiscal year from the State Foundation Program and \$96,224 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 \$397,487, intergovernmental payable of \$39,814 and accrued expenses of \$24,442 at June 30, 2019. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**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 represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

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

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

**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, 2019.

**Pensions and Other Postemployment Benefits (OPEB)** - For purposes of measuring the net pension/OPEB liability, net OPEB asset, 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. For the School, deferred inflows of resources include pension and OPEB. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 7 and 8).

**Implementation of New Accounting Principles** – For the fiscal year ended June 30, 2019, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School's fiscal year 2019 financial statements; however, there was no effect on beginning net position.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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”.

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 \$135,877 and the bank balance was \$142,210.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2019, none of the bank balance was exposed to custodial credit risk.

**NOTE 4 - RECEIVABLES**

**Grants Receivable** - The School has grants receivables totaling \$7,393 at June 30, 2019. These receivables represented monies due to the School from government sources, but not received as of June 30, 2019.

**Other Receivable** - The School had other receivable balances totaling \$20,345 at June 30, 2019.

**NOTE 5 - CAPITAL ASSETS**

For the period ending June 30, 2019, the School’s capital assets consisted of the following:

	<b>Balance 06/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/19</b>
<b>Capital Assets:</b>				
Furniture, Fixtures, & Equipment	\$ 54,672	\$ 5,000	\$ -	\$ 59,672
Computers	45,600	-	-	45,600
<b>Total Capital Assets</b>	<b>100,272</b>	<b>5,000</b>	<b>-</b>	<b>105,272</b>
<b>Less Accumulated Depreciation:</b>				
Furniture, Fixtures, & Equipment	(8,056)	(10,935)	-	(18,991)
Computers	(12,667)	(15,199)	-	(27,866)
<b>Total Accumulated Depreciation</b>	<b>(20,723)</b>	<b>(26,134)</b>	<b>-</b>	<b>(46,857)</b>
<b>Capital Assets, Net</b>	<b>\$ 79,549</b>	<b>\$ (21,134)</b>	<b>\$ -</b>	<b>\$ 58,415</b>



LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**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. Settled claims have not exceeded this commercial coverage in the prior two years and there have been no significant reductions in insurance coverage from the prior years.

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS**

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

**Net Pension Liability** - The net pension liability on the statement of net position 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.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**School Employees Retirement System (SERS) (continued)**

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.

**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](http://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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School’s contractually required contribution to SERS was \$5,805 for fiscal year 2019.

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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 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.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**State Teachers Retirement System (STRS) (continued)**

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, 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$62,975 for fiscal year 2019.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.00000000%	0.00000000%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.00088560%	0.00218729%	
Change in Proportionate Share	0.00088560%	0.00218729%	
Proportionate Share of the Net Pension			
Liability	\$ 50,721	\$ 480,936	\$ 531,657
Pension Expense	\$ 23,015	\$ 125,943	\$ 148,958

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight-line method over a five-year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight-line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 2,781	\$ 11,100	\$ 13,881
Changes of assumptions	1,145	85,232	86,377
Changes in proportion and differences between contributions and proportionate share of contributions	29,245	325,787	355,032
School contributions subsequent to the measurement date	5,805	62,975	68,780
<b>Total Deferred Outflows of Resources</b>	<b>\$ 38,976</b>	<b>\$ 485,094</b>	<b>\$ 524,070</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 3,141	\$ 3,141
Net difference between projected and actual earnings on pension plan investment	1,403	29,164	30,567
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,403</b>	<b>\$ 32,305</b>	<b>\$ 33,708</b>

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

\$68,780 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 22,836	\$ 121,921	\$ 144,757
2021	11,026	108,402	119,428
2022	(1,663)	84,285	82,622
2023	(431)	75,206	74,775
Total	\$ 31,768	\$ 389,814	\$ 421,582

**Actuarial Assumptions – SERS** - SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**Actuarial Assumptions – SERS (continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

The mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
	<u>100.00 %</u>	

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**Actuarial Assumptions – SERS (continued)**

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investment was applied to all periods of projected benefits to determine the total net pension liability.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$ 71,443	\$ 50,721	\$ 33,345

**Actuarial Assumptions – STRS** - Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011 through June 30, 2016.



LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**NOTE 7 - DEFINED BENEFIT PENSIONS PLANS (continued)**

**Actuarial Assumptions – STRS (continued)**

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\* Target weights will be phased in over a 24 month period concluding July 1, 2019.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School's proportionate share of the net pension liability	\$ 702,344	\$ 480,936	\$ 293,544

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset** - The net OPEB liability and net OPEB asset reported on the statement of net position represents a liability or asset 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 and net OPEB asset represent 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 and net OPEB asset calculations are 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 asset/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 asset/liability. Resulting adjustments to the net OPEB asset/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 asset/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 *accrued expenses* on the accrual basis of accounting.

**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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**School Employees Retirement System (SERS) (continued)**

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](http://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 2019, .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 2019, this amount was \$21,600. 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 2019, 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 \$215 for fiscal year 2019.

**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](http://www.strsoh.org) or by calling (888) 227-7877.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**Funding Policy (continued)**

employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**OPEB Liabilities, OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - The net OPEB liability and net OPEB asset were measured as of June 30, 2018, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability and net OPEB asset were based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.00000000%	0.00000000%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.00080100%</u>	<u>0.00218729%</u>	
Change in Proportionate Share	<u>0.00080100%</u>	<u>0.00218729%</u>	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 22,223	\$ (35,147)	\$ (12,924)
OPEB Expense	\$ 4,429	\$ (63,243)	\$ (58,814)

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**OPEB Liabilities, OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 363	\$ 4,105	\$ 4,468
Changes in proportion and differences between contributions and proportionate share of contributions	19,610	77,945	97,555
School contributions subsequent to the measurement date	<u>215</u>	<u>-</u>	<u>215</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 20,188</u></b>	<b><u>\$ 82,050</u></b>	<b><u>\$ 102,238</u></b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 2,048	\$ 2,048
Changes of assumptions	1,996	47,891	49,887
Net difference between projected and actual earnings on OPEB plan investments	<u>33</u>	<u>4,015</u>	<u>4,048</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 2,029</u></b>	<b><u>\$ 53,954</u></b>	<b><u>\$ 55,983</u></b>

\$215 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 and net OPEB asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 2,812	\$ 4,066	\$ 6,878
2021	2,989	4,066	7,055
2022	3,550	4,066	7,616
2023	3,567	4,979	8,546
2024	3,563	5,300	8,863
Thereafter	<u>1,463</u>	<u>5,619</u>	<u>7,082</u>
<b>Total</b>	<b><u>\$ 17,944</u></b>	<b><u>\$ 28,096</u></b>	<b><u>\$ 46,040</u></b>

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**Actuarial Assumptions - SERS (continued)**

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

***Actuarial Assumptions - SERS (continued)***

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e.

municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB asset is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB asset of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB asset would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School's proportionate share of the net OPEB liability	\$ 26,965	\$ 22,223	\$ 18,467

  

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School's proportionate share of the net OPEB liability	\$ 17,929	\$ 22,223	\$ 27,906



LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends		
Medical		
Pre-Medicare	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medicare	8.00 percent	
Medicare	-5.23 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

***Assumption Changes Since the Prior Measurement Date*** The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

***Benefit Term Changes Since the Prior Measurement Date*** The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**Actuarial Assumptions - STRS (continued)**

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)**

**Actuarial Assumptions - STRS (continued)**

***Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School's proportionate share of the net OPEB asset	\$ 30,125	\$ 35,147	\$ 39,369

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's proportionate share of the net OPEB asset	\$ 39,131	\$ 35,147	\$ 31,102

**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 did not perform such a review on the School for fiscal year 2019.

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

**NOTE 9 – CONTINGENCIES (continued)**

As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contracts with their Sponsor and Management Company require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2019 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2019 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

**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, 2019, the total sponsorship fees paid totaled \$40,189.

**Management Company** - The School entered into an agreement with Oakmont Education LLC, a local management company, to provide management and day-to-day operational functions for fiscal year 2019. 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, 2019 was \$253,683 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 Oakmont for its payroll and other costs eligible for reimbursement. Oakmont 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, 2019 to Oakmont of \$775,823, including \$522,140 for salaries and benefits and \$253,683 for management fees. At June 30, 2019, the School owed Oakmont \$348,373 for services and advances made to the School, which are included in accounts payable.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**NOTE 11 – MANAGEMENT COMPANY EXPENSES**

As of June 30, 2019, Oakmont Education LLC and its affiliates incurred the following expenses on behalf of the School:

	<b>Regular Instruction (1100 Function codes)</b>	<b>Special Instruction (1200 Function codes)</b>	<b>Support Services (2000 Function Codes)</b>	<b>Non-Instructional (3000 through 7000 Function Codes)</b>	<b>Total</b>
<b><i>Direct expenses:</i></b>					
Salaries & wages (100 object codes)	\$ 236,849	\$ 41,500	\$ 223,509	\$ -	\$ 501,858
Employees' benefits (200 object codes)	18,343	2,284	29,106	-	49,733
Professional & technical services (410 object codes)	-	-	-	2,832	2,832
Travel (430 object codes)	-	-	-	4,249	4,249
Communications (440 object codes)	-	-	-	531	531
Contracted craft or trade services (460 object codes)	-	-	-	-	-
Supplies (500 object codes)	354	-	-	5,488	5,842
Other direct costs (All other object codes)	-	-	207	4,042	4,249
<b>Overhead</b>	<b>-</b>	<b>-</b>	<b>74,634</b>	<b>30,014</b>	<b>104,648</b>
<b>Total expenses</b>	<b>\$ 255,546</b>	<b>\$ 43,784</b>	<b>\$ 327,456</b>	<b>\$ 47,156</b>	<b>\$ 673,942</b>

Oakmont charges overhead expenses benefiting more than one school on a pro-rated basis based on full time equivalents (FTE) headcount as of June 30, 2019 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. Total rent paid for 2019 was \$128,626 and is included in facility costs on Statement of Revenues, Expenses and Changes in Net Position.

Future lease obligations are as follows:

FY 2020	\$158,626
FY 2021	158,626
FY 2022	<u>158,626</u>
Total	<u>\$ 475,878</u>

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

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

**NOTE 13 - COMPLIANCE**

The School has non-compliance with Ohio Revised Code (ORC) 3301.0714 which requires the School to conform to data requirements and descriptions as published by the Ohio Department of Education, and failure to report data in a timely manner, or otherwise does not make a good faith effort to report data as required by this section. The School failed to withdraw students in a timely manner when their unexcused absences exceeded 105 hours before November 2, 2018 or 72 hours thereafter.

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)

	<u>2019</u>
School's Proportion of the Net Pension Liability	0.00088560%
School's Proportionate Share of the Net Pension Liability	\$ 50,721
School's Covered Payroll	\$ 30,089
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%

(1) Information prior to 2019 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 STATE TEACHER'S RETIREMENT SYSTEM OF OHIO  
 CURRENT FISCAL YEAR (1)

	<u>2019</u>
School's Proportion of the Net Pension Liability	0.00218729%
School's Proportionate Share of the Net Pension Liability	\$ 480,936
School's Covered Payroll	\$ 248,721
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%

(1) Information prior to 2019 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information



**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PENSION  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 5,805	\$ 4,062
Contributions in Relation to the Contractually Required Contribution	<u>(5,805)</u>	<u>(4,062)</u>
Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>
School Covered Payroll	\$ 43,000	\$ 30,089
Contributions as a Percentage of Covered Payroll	13.50%	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.

See accompanying notes to the required supplementary information

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PENSION  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	2019	2018
Contractually Required Contribution	\$ 62,975	\$ 34,821
Contributions in Relation to the Contractually Required Contribution	(62,975)	(34,821)
Contribution Deficiency (Excess)	\$ -	\$ -
School Covered Payroll	\$ 449,821	\$ 248,721
Contributions as a Percentage of Covered Payroll	14.00%	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.

See accompanying notes to the required supplementary information

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
CURRENT FISCAL YEAR (1)**

	2019
School's Proportion of the Net OPEB Liability	0.00080100%
School's Proportionate Share of the Net OPEB Liability	\$ 22,223
School's Covered Payroll	\$ 30,089
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	73.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%

(1) Information prior to 2019 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB ASSET  
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
 CURRENT FISCAL YEAR (1)

	<u>2019</u>
School's Proportion of the Net OPEB Liability/Asset	0.00218729%
School's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (35,147)
School's Covered Payroll	\$ 248,721
School's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	176.00%

(1) Information prior to 2019 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS- OPEB  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution (2)	\$ 215	\$ 150
Contributions in Relation to the Contractually Required Contribution	<u>(215)</u>	<u>(150)</u>
Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>
School Covered Payroll	\$ 43,000	\$ 30,089
OPEB Contributions as a Percentage of Covered Payroll (2)	0.50%	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

See accompanying notes to the required supplementary information

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS- OPEB  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School Covered Payroll	\$ 449,821	\$ 248,721
Contributions as a Percentage of Covered Payroll	0.00%	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.

See accompanying notes to the required supplementary information

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**NET PENSION LIABILITY**

**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

**Changes of benefit terms:** There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Changes in assumptions:** There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2019. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

**Changes in benefit terms:** There were no changes in benefit terms from the amounts reported for fiscal years 2014-2019.

**Changes in assumptions:** There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the "RP-2014" mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**LIBERTY HIGH SCHOOL - MONTGOMERY COUNTY, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

**NET OPEB LIABILITY**

**Changes in Assumptions – SERS**

Amounts reported for fiscal year 2018 and 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Medicare Trend Assumption

Medicare	
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent
Pre - Medicare	
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent and in fiscal year 2019 the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent, based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified.

The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**Changes in Benefit Terms – STRS**

Also, for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service, and increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.



December 5, 2019

To the Board of Trustees  
Liberty High School  
140 North Keowee Street  
Dayton, Ohio 45402

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Liberty High School, Montgomery County, Ohio (the "School") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about 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 have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2019-001.

### **School's Response to the Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & Associates, Inc.*

Dublin, Ohio

**Liberty High School**  
**Montgomery County, Ohio**  
*Schedule of Findings and Responses*  
*June 30, 2019*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2019-001 – Material Non-compliance**

**Criteria:** Ohio Rev. Code (ORC) 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.

**Condition:** During our testing over average daily membership we noted that 5 out of 7 students tested were not properly withdrawn from the school when their unexcused absences exceeded statutory amounts (105 hours before November 2, 2018 or 72 hours thereafter).

**Cause:** The School was not able to provide supporting documentation to show otherwise why the students should not have been withdrawn when they exceeded statutory limits for truancy.

**Effect:** Without properly withdrawing students when the unexcused absences exceed statutory limits the school is not properly reporting data in a timely manner to ODE.

**Recommendation:** We recommend the School 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.

**Management’s Response:**

The School has communicated such finding with the management company, and the management company is revising the procedures so that student withdrawals are being recorded timely and accurately.



**Liberty High School**  
**Montgomery County, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Year Ended June 30, 2019*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Ohio Revised Code Section 3301.0714, failure to maintain paperwork to re-enroll a student, attendance logs not agreeing to EMIS system, and wrong withdrawal codes.	Corrective Action Taken, Finding reissued as 2019-001.	The School corrected processes to appropriately reflect attendance logs and withdrawal codes. The current year finding is within the ORC previously reported, but different than prior year items.

# OHIO AUDITOR OF STATE KEITH FABER



**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  
FEBRUARY 6, 2020**