



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

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

We have audited the accompanying financial statements of the Liberty Preparatory School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Efficient • Effective • Transparent

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 7 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 24, 2021

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The management's discussion and analysis of the Liberty Preparatory School's ("School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position was a deficit of \$42,966 at June 30, 2020.
- The School had operating revenues of \$506,064, operating expenses of \$677,836 and nonoperating revenues of \$142,178 for fiscal year 2020. The total change in net position for the fiscal year was a decrease of \$29,594.

**Using the Basic Financial Statements**

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

**Reporting the School's Financial Activities**

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

The statement of net position and the statement of revenues, expenses and changes in net position answer the question, "How did the School do financially during fiscal year 2020?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and change in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 6 and 7 of this report.

The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9-14 of this report.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The table below provides a summary of the School's net position at June 30, 2020 and 2019.

**Net Position**

	2020	2019
<b><u>Assets</u></b>		
Current assets	\$ 66,602	\$ 64,625
<b><u>Liabilities</u></b>		
Current liabilities	109,568	77,997
<b><u>Net Position</u></b>		
Restricted	36,452	908
Unrestricted (deficit)	(79,418)	(14,280)
Total net position (deficit)	\$ (42,966)	\$ (13,372)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the School's net position was a deficit of \$42,966.

Current assets include the School's demand deposit account, intergovernmental receivables, and prepaid insurance. Current liabilities are payments owed to Tri-County Education Service, Ohio Department of Education, and Peters Kalail & Markakis Co., L.P.A.

A portion of the School's net position, \$36,452, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$79,418).

The table below shows the changes in net position for fiscal year 2020 compared to fiscal year 2019.

**Change in Net Position**

	2020	2019
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 499,889	\$ 596,766
Charges for services	6,175	11,875
Total operating revenues	506,064	608,641
<b><u>Operating Expenses:</u></b>		
Purchased services	651,194	606,065
Materials and supplies	7,464	31,051
Other	19,178	21,550
Total operating expenses	677,836	658,666
<b><u>Nonoperating Revenues:</u></b>		
Grants and subsidies	142,168	58,324
Interest revenue	10	28
Total nonoperating revenues	142,178	58,352
Change in net position	(29,594)	8,327
Net position (deficit) at beginning of year	(13,372)	(21,699)
Net position (deficit) at end of year	\$ (42,966)	\$ (13,372)



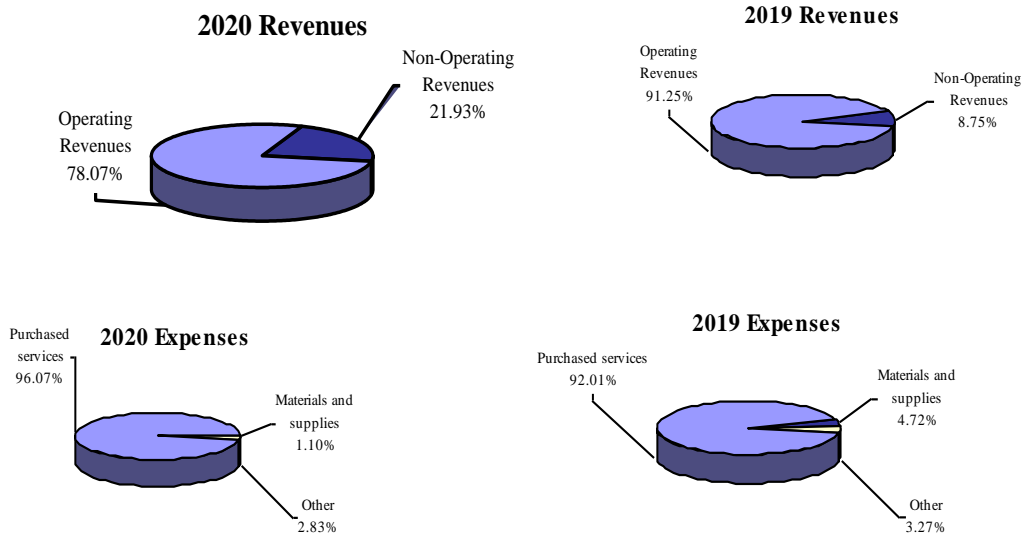
**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Fiscal year 2020 was the sixth year of operations for the School. The School is reliant upon State foundation revenue to support operations. The School also receives federal and state grant revenue which is reported as non-operating revenue.

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

The charts below illustrate the revenues and expenses for the School during fiscal years 2020 and 2019.



**Capital Assets**

The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2020.

**Current Financial Related Activities**

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

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

**Contacting the School’s Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 50,320
Receivables:	
Intergovernmental. . . . .	11,870
Prepayments . . . . .	<u>4,412</u>
Total assets. . . . .	<u>66,602</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	210
Intergovernmental payable . . . . .	<u>109,358</u>
Total liabilities . . . . .	<u>109,568</u>
 <b>Net position (deficit):</b>	
Restricted for:	
Restricted for federal programs . . . . .	11,870
Restricted for other purposes. . . . .	493
Restricted for student wellness and success. . . . .	24,089
Unrestricted (deficit). . . . .	<u>(79,418)</u>
Total net position (deficit). . . . .	<u><u>\$ (42,966)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Operating revenues:</b>	
Foundation revenue . . . . .	\$ 499,889
Tuition and fees. . . . .	6,175
Total operating revenues . . . . .	<u>506,064</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	651,194
Materials and supplies . . . . .	7,464
Other. . . . .	19,178
Total operating expenses. . . . .	<u>677,836</u>
Operating loss . . . . .	<u>(171,772)</u>
<b>Non-operating revenues:</b>	
Grants and subsidies. . . . .	142,168
Interest revenue . . . . .	10
Total nonoperating revenues. . . . .	<u>142,178</u>
Change in net position . . . . .	(29,594)
<b>Net position (deficit) at beginning of year . . . . .</b>	<u>(13,372)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u><u>\$ (42,966)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 508,103
Cash received from tuition and fees . . . . .	6,175
Cash payments for contractual services . . . . .	(620,660)
Cash payments for materials and supplies . . . . .	(7,464)
Cash payments for other expenses . . . . .	(23,590)
	(137,436)
<b>Net cash used in operating activities . . . . .</b>	
	<b>(137,436)</b>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies. . . . .	130,891
	130,891
<b>Net cash provided by noncapital financing activities. . . . .</b>	
	<b>130,891</b>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	10
	10
<b>Net cash provided by investing activities . . . . .</b>	
	<b>10</b>
Net decrease in cash and cash equivalents . . . . .	(6,535)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>56,855</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 50,320</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (171,772)
Changes in assets and liabilities:	
Decrease in intergovernmental receivable . . . . .	7,177
(Increase) in prepayments. . . . .	(4,412)
Increase in accounts payable . . . . .	102
Increase in intergovernmental payable . . . . .	31,469
	31,469
Net cash used in operating activities . . . . .	<b>\$ (137,436)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

The Liberty Preparatory School, Wayne County, Ohio (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service, that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status. The School's objective is to specifically address the needs of students who have met some academic requirements but have failed to successfully complete all those requirements necessary for the attainment of the high school diploma, or for those wishing to pursue a career or post-secondary study. The ultimate focus of the School's curriculum is to assist its students to earn credits for promotion through grades 9-12 and ultimately in earning a high school diploma while preparing them for higher education and employment opportunities. The School, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation under a contract with the Tri-County Educational Service Center for a period of three years commencing July 1, 2013 through June 30, 2016, and that contract was extended through June 30, 2019. The Ohio Department of Education took over the sponsorship agreement on January 1, 2019, and renewed the agreement through June 30, 2020. That contract was extended 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 has entered into purchased service agreements with the Tri-County Educational Service Center and Midland Council of governments to provide various purchased services to the School. Terms of the purchased service agreements are further described in Note 9.

The School operates under the direction of a self-appointed five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the School's one instructional/support facility which provides services to approximately 50 - 90 students. Due to the Credit Recovery nature of the school, student enrollment fluctuates significantly throughout the year.

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

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

**A. Basis of Presentation**

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

**B. Measurement Focus**

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

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

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

**E. Cash**

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

**F. Net Position**

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

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

**G. Intergovernmental Revenue**

The School currently participates in the State Foundation Program. Revenue from the State Foundation Program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under State Foundation Program for the 2020 school year, excluding all other federal and State grants, totaled \$499,889. Revenues received from the remaining programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Federal and state grant revenue for the fiscal year 2020 received was \$142,168.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**H. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**I. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The School maintains a capitalization threshold of \$5,000. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The School had no capital assets at June 30, 2020.

**J. Prepayments**

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

**K. Operating Revenues and Expenses**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2020, the School has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the School.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

At June 30, 2020, the carrying amount of all School deposits was \$50,320. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, the entire bank balance of \$56,062 covered by the Federal Deposit Insurance Corporation (FDIC).



**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 5 - PURCHASED SERVICES**

For fiscal year 2020, purchased services expenses were as follows:

	<u>Amount</u>
Professional Services	\$ 599,195
Property Rental and Services	33,161
Travel, Mileage and Meetings	1,340
Communications	17,488
Tuition and other similar payments	<u>10</u>
Total	<u>\$ 651,194</u>

**NOTE 6 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is covered under the insurance policies maintained by Liberty Preparatory School as purchased through Cincinnati Insurance. The school facility is insured by Smithville United Methodist Church. Settled claims did not exceed this commercial coverage in any of the past three years, and there has been no significant reduction in coverage through June 30, 2020.

**NOTE 7 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2020.

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

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 for the fiscal year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

As of the date of this report, all ODE adjustments have been finalized, and these adjustments resulted in a payable in the amount of \$1,037.

In addition, the School's contracts with the Office of Ohio School Sponsorship requires payment based on revenues received from the State.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - CONTINGENCIES - (Continued)**

**C. Litigation**

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

**D. COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. However, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 8 - OPERATING LEASE**

The School has entered into an operating lease with the Smithville United Methodist Church for rent of the School's instructional facility located at 243 N. Milton St. Smithville, Ohio 44677. The lease calls for an annual rental payment of \$27,000 for the period August 1, 2019 through July 31, 2020, and \$27,000 for the period of August 1, 2020 through July 31, 2021. The lease agreement allows for additional Saturdays, and summer days as needed to provide additional instruction to at risk students, and to provide a Saturday School option to the Wayne County Juvenile Court System.

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

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

The School has entered into a contract with Tri-County Educational Service Center (the "ESC") for instructional staff services. Under this contract, the following terms were agreed upon with the ESC:

1. The School shall pay the ESC for instructional staff services as required by the School. The School will be invoiced for the applicable instructional staff time used by the School. A 3% Payroll Fee will be assessed to the school by the ESC.
2. The purchased services agreement for fiscal year 2020 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to April 15, 2020 of any change in the services to be purchased for the term commencing July 1, 2020 through June 30, 2021.

For fiscal year 2020, \$514,614 was paid to the ESC for instructional staff services under the agreement. To obtain the ESC's audited June 30, 2020 financial statements, please contact Ms. Mary Workman, Treasurer, 741 Winkler Rd, Wooster, Ohio 44691.

**B. Midland Council of Governments**

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

1. The COG will provide telephone and technology support services to the school for fiscal year 2020.

For fiscal year 2020, \$31,567 was paid to the COG for telephone and technology support services under the agreement.

**LIBERTY PREPARATORY SCHOOL  
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - FISCAL MANAGEMENT PLAN**

The governing board and administration of the School have developed the following fiscal management plan beginning fiscal year 2020:

Following six full years of operations, a cash balance of \$50,320 was recorded on June 30, 2020. Additional payments for fiscal year 2020 services will be paid to Tri-County ESC during July, August and September.

Enrollment continues to be a top priority. Continued efforts will be made to increase enrollment and maintain adequate staff numbers. The School had 57 students at the start of fiscal year 2020. The School utilized federal grant funds from Title I, Title II-A, Title IV-A, and IDEA in fiscal year 2020.

Professional development will be focused on completing the steps necessary to complete the Ohio Improvement Process. This will allow the School to move into the Schoolwide Pool program, which allows for better utilization of Federal and Local Funds.

Due to the nature of GAAP reporting, the Governing Board understands that outstanding liabilities for professional staff services at year end will be a significant factor affecting year end reports. Improving the year end cash assets will help to offset those outstanding liabilities.

**NOTE 11 - RECEIVABLES**

At June 30, 2020, the School reported intergovernmental receivables in the amount of \$11,870 for amounts due from ODE.

**NOTE 12 - SPONSORSHIP CONTRACT**

The School is under contract with the Office of Ohio School Sponsorship at the Department of Education (the "Sponsor") for the period July 1, 2020 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. Under the terms of the Contract, the School is required to pay the Sponsor up to 3% of the funding provided to the Learning Center by the Ohio Department of Education as an oversight and monitoring (administrative) fee.

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# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215-3506  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Liberty Preparatory School, Wayne County, (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 24, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School.

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

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 24, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**LIBERTY PREPARATORY SCHOOL**

**WAYNE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/18/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)