



OHIO AUDITOR OF STATE
KEITH FABER



**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Liberty Preparatory School
Wayne County
P.O. Box 374
Smithville, Ohio 44677

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Liberty Preparatory School, Wayne County, Ohio (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Preparatory School, Wayne County, Ohio as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 February 21, 2024, 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. 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 21, 2024

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**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023. 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 2023 are as follows:

- In total, net position was \$329,403 at June 30, 2023.
- The School had operating revenues of \$564,684, operating expenses of \$548,363 and nonoperating revenues of \$146,384 for fiscal year 2023. The total change in net position for the fiscal year was an increase of \$162,705.

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 2023?" 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.

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The table below provides a summary of the School's net position at June 30, 2023 and 2022.

	2023	2022
Net Position		
<u>Assets</u>		
Current assets	\$ 378,677	\$ 221,718
<u>Liabilities</u>		
Current liabilities	49,274	55,020
<u>Net Position</u>		
Restricted	53,625	52,593
Unrestricted (deficit)	275,778	114,105
Total net position	\$ 329,403	\$ 166,698

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the School's net position was \$329,403.

A portion of the School's net position, \$53,625, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$275,778.

The table below shows the changes in net position for fiscal year 2023 compared to fiscal year 2022.

	2023	2022
<u>Operating Revenues:</u>		
State foundation	\$ 557,084	\$ 529,301
Tuition and fees	7,600	7,735
Total operating revenues	564,684	537,036
<u>Operating Expenses:</u>		
Fringe benefits	-	754
Purchased services	482,300	441,163
Materials and supplies	34,402	30,465
Other	31,661	42,883
Total operating expenses	548,363	515,265
<u>Non-operating Revenues:</u>		
Grants and subsidies	143,402	89,345
Interest revenue	2,982	31
Total nonoperating revenues	146,384	89,376
Change in net position	162,705	111,147
Net position at beginning of year	166,698	55,551
Net position at end of year	\$ 329,403	\$ 166,698

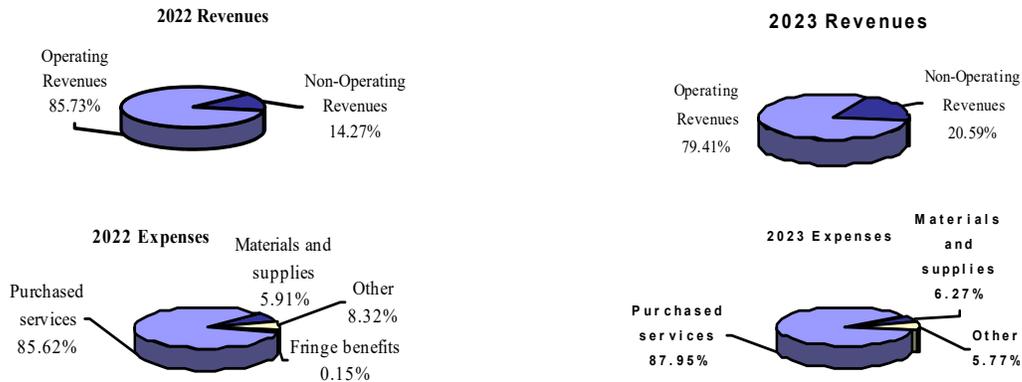
Fiscal year 2023 was the ninth year of operations for the School. The School is reliant upon State foundation revenue to support operations. The School also receives federal and state grant revenue which is reported as non-operating revenue. The increase in net position of \$162,705 is primarily related to the increase in these state foundation and grant revenues.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 8 to the basic financial statements.

The charts below illustrate the revenues and expenses for the School during fiscal years 2023 and 2022.



Capital Assets

The School maintains a capitalization threshold of \$5,000. The School had no capital assets at June 30, 2023.

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, 243 N. Milton St. PO Box 374 Smithville, OH 44677.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2023

Assets:	
Equity in pooled cash and cash equivalents	\$ 368,545
Receivables:	
Intergovernmental.	<u>10,132</u>
Total assets.	<u>378,677</u>
 Liabilities:	
Current liabilities:	
Intergovernmental payable	<u>49,274</u>
Total liabilities	<u>49,274</u>
 Net position:	
Restricted for:	
Restricted for other purposes.	9,630
Restricted for student wellness and success. .	43,995
Unrestricted	<u>275,778</u>
Total net position	<u>\$ 329,403</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, 2023

Operating revenues:	
Foundation revenue	\$ 557,084
Tuition and fees.	<u>7,600</u>
Total operating revenues	<u>564,684</u>
Operating expenses:	
Purchased services.	482,300
Materials and supplies	34,402
Other.	<u>31,661</u>
Total operating expenses.	<u>548,363</u>
Operating income	<u>16,321</u>
Non-operating revenues:	
Grants and subsidies.	143,402
Interest revenue	<u>2,982</u>
Total non-operating revenues.	<u>146,384</u>
Change in net position	162,705
Net position at beginning of year	<u>166,698</u>
Net position at end of year	<u>\$ 329,403</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, 2023

Cash flows from operating activities:	
Cash received from state foundation	\$ 553,702
Cash received from tuition and fees	7,600
Cash payments for contractual services	(477,309)
Cash payments for materials and supplies	(45,139)
Cash payments for other expenses	(31,661)
	7,193
Net cash provided by operating activities	
	7,193
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies.	155,532
	155,532
Net cash provided by noncapital financing activities.	
	155,532
Cash flows from investing activities:	
Interest received	2,982
	2,982
Net cash provided by investing activities	
	2,982
Net increase in cash and cash equivalents	165,707
Cash and cash equivalents at beginning of year . . .	202,838
Cash and cash equivalents at end of year	\$ 368,545
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,321
Changes in assets and liabilities:	
Change in intergovernmental receivable	(3,382)
Change in accounts payable	(10,737)
Change in intergovernmental payable	4,991
	4,991
Net cash provided by operating activities	\$ 7,193

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, 2023

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. A new contract with the Ohio Department of Education is in effect from July 1, 2021 through June 30, 2026. 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 8.

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 Dropout 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, 2023

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 Chapter 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 2023 school year, excluding all other federal and State grants, totaled \$557,084. 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 2023 received was \$143,402.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023.

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. The School had no prepaids at June 30, 2023.

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 2023, the School has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the School.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the School.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the School.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the School.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

At June 30, 2023, the carrying amount of all School deposits was \$368,545. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2023, \$250,000, of the entire bank balance of \$370,308, was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining \$120,308 was covered by the Ohio Pooled Collateral System.

NOTE 5 - PURCHASED SERVICES

For fiscal year 2023, purchased services expenses were as follows:

	<u>Amount</u>
Professional Services	\$ 429,932
Property Rental and Services	33,129
Travel, Mileage and Meetings	314
Communications	<u>18,925</u>
Total	<u>\$ 482,300</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 over the past year.

NOTE 7 - CONTINGENCIES

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2023.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – CONTINGENCIES – (Continued)

B. Ohio Department of Education Enrollment Review

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, additional ODE adjustments for fiscal year 2023 are finalized and a receivable is posted to the financials.

In addition, the School's contracts with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2023 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2023 financial statements, related to additional reconciliation necessary with these contracts/agreements, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

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.

NOTE 8 - 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 2023 is non-cancellable. Both the School and the ESC agree to provide the other party with notification in writing prior to April 15, 2022 of any change in the services to be purchased for the term commencing July 1, 2022 through June 30, 2023.

For fiscal year 2023, \$375,888 was paid to the ESC for instructional staff services under the agreement. To obtain the ESC's audited June 30, 2023 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 2023.

**LIBERTY PREPARATORY SCHOOL
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 8 - SPONSOR CONTRACT AND PURCHASED SERVICE AGREEMENTS – (Continued)

For fiscal year 2023, \$33,993 was paid to the COG for telephone and technology support services under the agreement.

NOTE 9 - RECEIVABLES

At June 30, 2023, the School reported intergovernmental receivables in the amount of \$10,132 for amounts due from ODE.

NOTE 10 - SPONSORSHIP CONTRACT

The School is under contract with the Office of Ohio School Sponsorship at the Department of Education (the “Sponsor”) through June 30, 2026. 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. During fiscal year 2023, the School paid \$16,062 in fees to the Sponsor.

NOTE 11 – SUBSEQUENT EVENT

In fiscal year 2024 the Educational Empowerment Group will be taking over as management of the School.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
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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
P.O. Box 374
Smithville, Ohio 44677

To the Board of Directors:

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 (*Government Auditing Standards*), the financial statements of the Liberty Preparatory School, Wayne County, (the School) as of and for the year ended June 30, 2023, 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 21, 2024.

Report on 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) as a basis for designing 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 School'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 21, 2024

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 3/21/2024

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