

**Liberty Tech Charter School, Inc.  
Audited Financial Statements  
June 30, 2017**

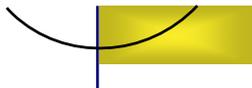
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Liberty Tech Charter School, Inc.  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Liberty Tech Charter School, Inc.  
Brooks, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Tech Charter School, Inc. ("the School"), as of and for the year ended June 30, 2017, 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 opinions 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2017 and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the schedules of proportionate share of net pension liability and schedules of contributions to retirement systems, and budgetary comparison information 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 August 11, 2017 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 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 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 School's internal control over financial reporting and compliance.

*Bambo Sonaike CPA, LLC*

August 11, 2017

# Liberty Tech Charter School, Inc.

## Management Discussion and Analysis

### As of June 30, 2017

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As management of Liberty Tech Charter School, Inc. (the "School"), we offer readers of the School's financial statement this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transaction, events, and conditions, it should be considered in conjunction with the Basic Financial Statements.

#### **Financial highlights**

- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$331,565.
- The School's assets exceeded liabilities at the close of the most recent fiscal year by \$535,377 (net position).

#### **Overview of the financial statements**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the School's asset and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instructions, school administration, and food services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself.

Liberty Tech Charter School, Inc.  
Management Discussion and Analysis  
As of June 30, 2017

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Comparison of the condensed statement of net position and the statement of activities are provided below.

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
<b>ASSETS</b>			
Current and other assets	\$ 356,779	\$ 335	\$ 356,444
Capital assets <sup>(net)(note 3)</sup>	80,735	-	80,735
Total assets	437,514	335	437,179
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
	112,817	-	112,817
Total assets and deferred outflow of resources	550,331	335	549,996
<b>LIABILITIES</b>			
Current and other liabilities <sup>(note 4)</sup>	14,954	-	14,954
Total liabilities	14,954	-	14,954
<b>DEFERRED INFLOW OF RESOURCES</b>			
	-	-	-
Total liabilities and deferred inflow of resources	14,954	-	14,954
<b>NET POSITION</b>			
Investment in capital assets <sup>(net)</sup>	80,735	-	80,735
Restricted	4,260	-	4,260
Unrestricted (deficit)	450,382	335	450,047
Total net position (deficit)	\$ 535,377	\$ 335	\$ 535,042

Liberty Tech Charter School, Inc.  
Management Discussion and Analysis  
As of June 30, 2017

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Variance</b>
<b>REVENUES</b>			
State passed through State Charter School Commission	\$ 1,959,324	\$ -	\$ 1,959,324
Charges for services	24,003	-	24,003
Operating grants and contributions	78,862	-	78,862
Other revenues	77,014	335	76,679
Total revenues	<u>2,139,203</u>	<u>335</u>	<u>2,138,868</u>
<b>EXPENSES</b>			
Basic instruction	1,123,769	-	1,123,769
Pupil Services	65,174	-	65,174
Staff development	11,762	-	11,762
School administration	163,127	-	163,127
Food services	49,341	-	49,341
Operation of school	190,988	-	190,988
Total expenses	<u>1,604,161</u>	<u>-</u>	<u>1,604,161</u>
<b>Change in net position</b>	<u>\$ 535,042</u>	<u>\$ 335</u>	<u>\$ 534,707</u>

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the operations of the School are presented in governmental funds only.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both of the governmental fund financial statements provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

# Liberty Tech Charter School, Inc.

## Management Discussion and Analysis

### As of June 30, 2017

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The School maintains individual government funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be the School's only major fund.

#### **Notes to the financial statements**

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

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$535,377 for the year ended June 30, 2017.

A portion of the School's net position reflects its investment in capital assets (e.g., furniture, fixtures and equipment, and leasehold improvements), less any related debt used to acquire those assets that are still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **Financial analysis of the Government's Funds**

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year. The general fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was \$331,565.

#### **General Fund Budgetary Highlights**

The School's actual revenues exceeded budget revenues by \$375,254 mainly due the School's FTE funding and other supplemental revenue being higher than budgeted. Actual expenditures were above budgeted expenditures by \$58,896 due mainly to the School's overall operating cost being higher than budgeted.

#### **Capital Asset**

The School's investment in capital assets for its governmental type activities as of June 30, 2017, amounts to \$80,735. This investment in capital assets includes furniture, fixtures and equipment. Additional information on the School's capital assets can be found in note below.

Liberty Tech Charter School, Inc.  
Statement of Net Position  
As of June 30, 2017

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**ASSETS**

Cash and cash equivalents <sup>(note 2)</sup>	\$ 309,012
Prepaid expenses <sup>(note 8)</sup>	6,000
Accounts receivable <sup>(note 5)</sup>	41,767
Capital assets <sup>(net) (note 3)</sup>	<u>80,735</u>
Total assets	437,514

**DEFERRED OUTFLOW OF RESOURCES**

Related to defined benefit pension plans <sup>(note 9)</sup>	<u>112,817</u>
Total deferred outflow of resources	112,817

**LIABILITIES**

Accounts payable & accrued expenses <sup>(note 4)</sup>	<u>14,954</u>
Total liabilities	14,954

**DEFERRED INFLOW OF RESOURCES**

Related to defined benefit pension plans <sup>(note 9)</sup>	<u>-</u>
Total deferred inflow of resources	-

**NET POSITION**

Investment in capital assets, net of related debt	80,735
Restricted	4,260
Unrestricted (deficit)	<u>450,382</u>
Total net position (deficit)	<u>\$ 535,377</u>

The accompanying notes are an integral part to these financial statements.

Liberty Tech Charter School, Inc.  
Statement of Activities  
For the period ended June 30, 2017

Governmental Activities	Expenses	Program revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Basic instruction	\$ 1,123,769	\$ 2,350	\$ 653,605	\$ -	\$ (467,813)
Pupil Services	65,174	-	-	-	(65,174)
Media services	-	-	24,438	-	24,438
Staff development	11,762	-	5,660	-	(6,102)
School administration	163,127	-	72,877	-	(90,250)
Food services	49,341	21,653	-	-	(27,689)
Central services	-	-	11,685	-	11,685
Operation of school	190,988	-	83,738	-	(107,250)
<b>Total governmental activities</b>	<b>\$ 1,604,161</b>	<b>\$ 24,003</b>	<b>\$ 852,003</b>	<b>\$ -</b>	<b>\$ (728,155)</b>

General revenues:

State passed through State Charter School Commission	1,107,321
Operating grants and contributions	78,862
Other revenue	77,014
<b>Total general revenues</b>	<b>1,263,197</b>
Change in net position	535,042
Net position (deficit) - beginning of year	335
<b>Net position (deficit) - end of the year</b>	<b>\$ 535,377</b>

The accompanying notes are an integral part to these financial statements.

Liberty Tech Charter School, Inc.  
 Balance Sheet - Governmental Funds  
 As of June 30, 2017

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents <sup>(note 2)</sup>	\$ 309,012
Prepaid expenses <sup>(note 8)</sup>	6,000
Accounts receivable <sup>(note 5)</sup>	41,767
Total assets	<u>356,779</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable & accrued expenses <sup>(note 4)</sup>	14,954
Total liabilities	<u>14,954</u>
<b>FUND BALANCES</b>	
Non-spendable	6,000
Restricted	4,260
Committed	-
Unassigned	331,565
Total fund balances	<u>341,825</u>
Total liabilities and fund balances	<u>\$ 356,779</u>

The accompanying notes are an integral part to these financial statements.

Liberty Tech Charter School, Inc.  
 Reconciliation of Balance Sheet – Governmental Funds with the  
 Statement of Net Position  
 For the period ended June 30, 2017

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Total Fund balances - Governmental funds \$ 341,825

The amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures and equipment	92,527
Accumulated depreciation	(11,792)
	<hr/>
Total capital assets	80,735

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability	-
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds

Deferred outflows of resources	112,817
Deferred inflows of resources	-
	<hr/>
Net flow of resources	112,817

Total Net position (deficit) - Governmental activities	<hr/> <hr/> \$ 535,377
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The accompanying notes are an integral part to these financial statements.

Liberty Tech Charter School, Inc.  
Statement of Revenue, Expenditures, and Changes in Fund Balance –  
Governmental Funds  
June 30, 2017

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<b>REVENUES</b>	<u>General Fund</u>
State passed through State Chrter School Commission	\$ 1,959,324
Operating grants and contributions	78,862
Charges for services	24,003
Other revenues	77,014
Total revenues	<u>2,139,203</u>
<b>EXPENDITURES</b>	
Basic instruction	1,236,585
Pupil Services	65,174
Staff development	11,762
School administration	163,127
Food services	49,341
Operation of school	179,196
Capital outlay	92,527
Total expenditures	<u>1,797,713</u>
Excess (deficiency) of revenue over (under) expenditures	<u>341,490</u>
Net change in fund balance	341,490
<b>Fund balances at beginning of the year</b>	335
<b>Fund balances at end of the year</b>	<u><u>\$ 341,825</u></u>

The accompanying notes are an integral part to these financial statements.

Liberty Tech Charter School, Inc.  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
 Fund Balances with the Statement of Activities  
 For the period ended June 30, 2017

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Total net change in fund balances- Government funds \$ 341,490

The amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	92,527
Depreciation expense	(11,792)
	<hr/>
Total	80,735

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in pension related accounts	112,817
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Total change in net position- Governmental activities	<hr/> <hr/> \$ 535,042
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The accompanying notes are an integral part to these financial statements.

# Liberty Tech Charter School, Inc.

## Notes to the Financial Statements

### June 30, 2017

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#### 1. Organization

Liberty Tech Charter School, Inc. (a Georgia 501 (c) (3) Corporation) (the School), provides educational services to students in grades K-8. The School is authorized to enroll a minimum of 240 students and not to exceed 420 students. The governing body of the School is the Board of Directors, which is currently comprised of ten members. Information presented in these financial statements only reflects the financial position and activities of the School.

The general operating authority of the School is contained in O.C.G.A. (Official Code of Georgia Annotated) 20-2-2060 and 20-2-2084 (Charter Schools Act), Georgia Statutes. The School operates under a 5-year charter sponsored by State Charter Schools Commission (the "Commission"). The current charter is effective until June 30, 2021. At the end of the charter's term, the Charter may be renewed by agreement of the School and the Commission following the procedures set forth in the Charter Schools Act and accompanying Commissions' rules.

During the term of charter, the Commission may terminate the charter following the procedures set forth in the Charter School Act and rule of the State Board of Education.

#### 2. Significant accounting policies

The accompanying financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School's accounting policies are described below.

##### **Basis of presentation**

The School's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements, and notes to the basic financial statements of the Liberty Tech Charter School, Inc.

##### Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School, except for fiduciary activities. As part of the consolidation process, all interfold activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities. The Statement of Net Position presents the School's non-fiduciary assets and liabilities, with the difference reported as net position.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School related to the administration and support of the School's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Liberty Tech Charter School, Inc.  
Notes to the Financial Statements  
June 30, 2017

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- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

#### Fund Financial Statements

The fund financial statements provide information about the School's funds. Eliminations have been made to minimize the double counting of internal activities. Separate financial statements are presented for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

- General Fund is the School's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

#### **Basis of accounting**

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the School's proportionate share of the Net Pension Liability. These collective amounts have been allocated by the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share to each participating employer. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, both restricted and unrestricted resources are available to finance the program. It is the School's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

Liberty Tech Charter School, Inc.  
Notes to the Financial Statements  
June 30, 2017

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**New accounting pronouncements**

In fiscal year 2017, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School's financial statements.

**Net position**

The School's net position in the Government-wide Financial Statements is classified as follows:

Net investment in capital assets

This represents the School's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position

This represents resources for which the School is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position

Unrestricted net position represents resources derived from grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School, and may be used at the discretion of the Board to meet current expenses for those purposes.

**Fund balances**

The School's fund balances are classified as follows:

Non-spendable

These are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted

These are amounts with limitations imposed on their use by external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed

These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's highest level of decision-making authority.

Liberty Tech Charter School, Inc.  
Notes to the Financial Statements  
June 30, 2017

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Assigned

These are amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned

These are amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This is the residual classification for the general fund.

**Cash and cash equivalent**

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions.

**Custodial credit risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, the School's cash and cash equivalent accounts above the \$250,000 depository insurance limit were not insured or collateralized as required by State statutes.

**Collateralization of deposits**

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United

Liberty Tech Charter School, Inc.  
 Notes to the Financial Statements  
 June 30, 2017

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States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**Stewardship, Compliance and Accountability**

The School adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the School has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget. The detail of the fiscal year budget is outlined in the supplemental section of the financial statement.

**Capital assets**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. Capital assets are defined by the School as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than 1 year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets are not capitalized. Depreciation is computed using the straight-line method. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School.

The estimated useful lives of capital assets reported in the government-wide statements are as follows:

Asset Class	Estimated Useful Life (years)
Furniture, fixtures and equipment	3 - 5

**Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

**Revenue sources and recognition**

Revenues for current operations are received primarily from the State of Georgia through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 20-2-2060, Georgia Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 20-2-2060, Georgia Statutes, the District reports the number of FTE students and related data to the Georgia Department of Education (GDOE) for funding. Funding for the School is adjusted during the year to reflect revised calculations by the GDOE under the Georgia Education Finance Program and actual weighted FTE students reported by

Liberty Tech Charter School, Inc.  
Notes to the Financial Statements  
June 30, 2017

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the School during designated FTE student survey periods. For the period ended June 30, 2017 revenue received and recognized from this source was \$1,959,324.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**Deferred outflows/inflows of resources**

In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School has reported the contributions to the cost sharing benefit pension plans subsequent to the measurement date and prior to the fiscal year end as deferred outflows of resources. The School has also reported the actuarial changes in the School's proportionate share of the governmental non-employer cost sharing benefit pension plan, as discussed in note below.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School has reported the actuarial changes in the School's proportionate share of the governmental non-employer cost sharing benefit pension plan, as discussed in note below. This item is reported only in the Statement of Net Position.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The School considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances. Actual results could differ from those estimates.

Liberty Tech Charter School, Inc.  
Notes to the Financial Statements  
June 30, 2017

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**Income Tax**

The School is exempt from federal income taxes under Section 501(C) (3) of the Internal Revenue Code. The School is also exempt from Georgia income taxes and, therefore, has made no provision for federal or Georgia income taxes. In addition, the Internal Revenue Service has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

**3. Capital assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Dispositions	Balance at June 30, 2017
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ -	\$ 87,527	\$ -	\$ 87,527
Leasehold improvements	-	5,000	-	5,000
Total assets depreciated	-	92,527	-	92,527
Less accumulated depreciation:				
Furniture, fixtures and equipment	-	(11,027)	-	(11,027)
Leasehold improvements	-	(765)	-	(765)
Total accumulated depreciation	-	(11,792)	-	(11,792)
Total governmental activities	-			
Capital assets, net	<u>\$ -</u>			<u>\$ 80,735</u>

Depreciation expense in the amount of \$11,792 was recorded under operation of school in the statements of activities.

**4. Accounts payable and accrued expenses**

As of June 30, 2017, accounts payable and accrued expenses consisted of \$14,954 in salaries and benefits payable.

**5. Accounts receivable**

As of June 30, 2017, the accounts receivable consisted of the following:

Special Ed - Flowthrough	\$ 35,497
Other grants and awards	6,270
Total accounts receivable	<u>\$ 41,767</u>

Liberty Tech Charter School, Inc.  
Notes to the Financial Statements  
June 30, 2017

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**6. Concentrations - Revenue sources**

As stated in Note 2, the School receives revenues for current operations primarily from the State of Georgia through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	
State passed through State Charter School Commission - Quality basic education (QBE)	\$ 1,959,324
Total QBE funds	<u>1,959,324</u>
<u>Federal funds:</u>	
Title II-A, Improving Teacher Quality	3,225
Special Ed - Flowthrough	40,707
Total federal funds	<u>43,932</u>
<u>Other revenue:</u>	
Fundraising, donations and other revenue	27,600
Student care and student activities	13,079
In-kind donation	42,105
Other grants and contributions	53,163
Total revenues	<u><u>\$ 2,139,203</u></u>

**7. Commitments and contingencies**

**Federal and state grants**

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore no provision has been recorded in the accompanying financial statements for such contingencies.

**Facilities**

Beginning July 1, 2016 and ending on August 30, 2019, the school entered into a lease agreement for the School's facility with Fayette County School District. The terms of the lease agreement require monthly base rent payment of \$6,000 from the School. As of June 30, 2017 total amount of lease payment was \$72,000.

Liberty Tech Charter School, Inc.  
 Notes to the Financial Statements  
 June 30, 2017

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**8. Prepaid expenses**

As of June 30, 2017, prepaid expenses consisted of \$6,000 in rent for the next fiscal year.

**9. Retirement plan**

The School participates in the Teachers Retirement System of Georgia (TRS) retirement plan administered by the State of Georgia. TRS issues separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

**Plan description**

All teachers of the School as defined in §47 -3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47 -3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

**Benefits provided**

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

**Contributions**

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2017. The School's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School payroll. Employer contributions for the current fiscal year as follows:

Year	Percent Contributed	Required Contributed
2017	100%	\$ 112,817

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

At June 30, 2017, the School did not report a liability for its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was not determined because the School did not participate in the plan during the measurement period.

At June 30, 2016, the School's TRS proportion was 0.000%. For the year ended June 30, 2017, the School did not recognize pension expense for TRS. At June 30, 2017, the School reported deferred outflows of resource related to pension in the amount of \$112,817 for the School's contributions subsequent to the measurement date.

The School contributions subsequent to the measurement date of \$112,817 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

**10. Risk management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God. The School has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God.

**11. Subsequent events**

The School evaluated subsequent events through the date the financial statements were available to be issued. The School is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

Liberty Tech Charter School, Inc.  
 Schedule of Proportionate Share of the Net Pension Liability- Teachers'  
 Retirement System of Georgia  
 June 30, 2017

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	<u>2017</u>
School's proportion of the net pension liability	0.000000%
School's proportionate share of the net pension liability	\$ -
School's covered-employee payroll	\$ 790,587
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A

This schedule is intended to show information for 10 years.  
 Additional years will be displayed as they become available.  
 The School's first year of operation was the fiscal year ended June 30, 2017.

Liberty Tech Charter School, Inc.  
Schedule of Contributions - Teachers' Retirement System of Georgia  
June 30, 2017

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	<u>2017</u>
Contractually required contribution	\$ 112,817
Contributions in relation to the contractually required contribution	<u>112,817</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's covered-employee payroll	\$ 790,587
Contributions as a percentage of covered-employee payroll	14.27%

This schedule is intended to show information for 10 years.  
Additional years will be displayed as they become available.  
The School's first year of operation was the fiscal year ended June 30, 2017.

Liberty Tech Charter School, Inc.  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
 Budget and Actual – General Fund  
 For the period ended June 30, 2017

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
State passed through local school district	\$ 1,763,949	\$ 1,959,324	\$ 195,375
Supplemental revenue	-	179,879	179,879
Total revenue	<u>1,763,949</u>	<u>2,139,203</u>	<u>375,254</u>
<b>EXPENDITURES</b>			
Salaries and Benefits	1,370,891	1,241,617	(129,274)
Instruction	85,295	133,417	48,122
Services and Supplies	149,846	193,966	44,120
Governance and management	17,639	77,673	60,034
Facility expenses	115,145	58,513	(56,632)
Capital outlay	-	92,527	92,527
Total expenditures	<u>1,738,817</u>	<u>1,797,713</u>	<u>58,896</u>
Net change in fund balances	<u>25,132</u>	<u>341,490</u>	<u>316,358</u>
<b>Fund balances at beginning of the year</b>	<u>335</u>	<u>335</u>	<u>-</u>
<b>Fund balances at end of the year</b>	<u>\$ 25,467</u>	<u>\$ 341,825</u>	<u>\$ 316,358</u>

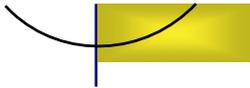
Liberty Tech Charter School, Inc.  
Note to the Schedule of Revenues, Expenditures, and Changes in Fund  
Balances – Budget and Actual – General Fund  
For the period ended June 30, 2017

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**1. Budgetary Information**

**Budgetary basis of accounting**

Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the board of directors (the “Board”). The budgets presented for the fiscal year ended June 30, 2017 have been amended according to Board procedures. Budgets are adopted in full accrual basis accounting. The legal level of budgetary control is the fund level.



**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH THE GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Liberty Tech Charter School, Inc.  
Brooks, Georgia

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 governmental activities, each major fund, and the aggregate remaining fund information of Liberty Tech Charter School, Inc. ("the School"), as of and for the year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 11, 2017.

**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 opinions 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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did identify deficiencies in internal control, described as items 2017-001 and 2017-002 that we consider to be material weaknesses. However, other 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 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 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 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 entity's internal controls 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.

*Bambo Sonaike CPA, LLC*

August 11, 2017

Liberty Tech Charter School, Inc.  
Schedule of Findings and Responses  
Section I – Summary of Auditors Results  
For the period ended June 30, 2017

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**Financial Statements**

Type of auditor's report issued

Un-modified

Internal control over financial reporting:

Material weaknesses identified?

Yes

Significant deficiencies identified?

None reported

Non-compliance material to financial statements noted?

No

**Federal Awards**

Audit of major federal awards programs was not performed because the total amount of federal awards expended as of June 30, 2017 was less than \$750,000.

Liberty Tech Charter School, Inc.  
Schedule of Findings and Responses  
Section II – Financial Statement Findings and Responses  
For the period ended June 30, 2017

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**2017-001 – Documentation of segregation of duties surrounding payroll transactions**

**Criteria:** The School did not document the implementation of internal control around its payroll transactions.

**Condition:** During our audit procedures, we noted that the School did not document the approval process on its payroll transactions.

**Context:** During our audit procedures, we noted the following:

- There was a lack of documentation of the segregation of duties within the School's payroll transactions to ensure that one individual was not responsible for processing of payroll transaction from the start to finish without review and approval of an independent member of the management.

**Effect:** Failure to properly document segregation of duties or compensation controls can lead to abuse of the system.

**Recommendation:** We recommend that the School document all the approval and implementation of internal control of its payroll transactions.

**Management Response:** Going forward Liberty Tech Charter School will implement the following internal controls of its payroll transactions:

1. Amy Jones administers our payroll and oversees issuing payroll checks electronically to each employee in coordination with ADP, LTCS'S payroll service provider. Once payroll is submitted she will print a Payroll Details Report from ADP to give to Mike Stewart.
2. Mike Stewart will review salary amounts and withholdings for each employee and sign the Payroll Details Report if he approves.
3. Deidra Okonkwo will then use the approved Payroll Detail Report to enter the correct journal entries in QuickBooks.
4. Amy and Deidra will review payroll in detail each quarter to make sure employee withholdings are accurate and that we do not have any outstanding payables/receivables. Findings, and any changes, will be approved by Mike.

**2017-002 - Collateralization of deposit**

**Criteria:** The School did not obtain a surety bond or other collateral from its depository bank for public funds that exceed FDIC \$250,000 limit.

**Condition:** O.C.G.A 45-8-12 requires that public funds deposited with a financial institution longer than 10-days be secured by FDIC insurance and any excess secured by a surety bond or other collateral by the institution to protect the funds from loss by the institution.

Liberty Tech Charter School, Inc.  
Schedule of Findings and Responses  
Section II – Financial Statement Findings and Responses  
For the period ended June 30, 2017

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**Context:** During our audit procedures, we noted that the funds in excess of the FDIC limit were not collateralized.

**Effect:** Deposits of \$86,988 with one of the School's financial institutions exceeded insurance of \$250,000 provided by FDIC on June 30, 2017. This amount is at risk of loss in the event of failure by the financial institution.

**Recommendation:** We recommend the School adhere to the state law that requires that public funds are adequately collateralized and insured.

**Management response:** Amy Jones will contact Synovus Bank to obtain collateral for the amount of cash deposits greater than the \$250,000 insured by FDIC.

–End of Report–