

# **Comprehensive Annual Financial Report**

For the Year Ended June 30, 2013



**Towpath Trail High School  
(formerly Life Skills Center of Akron)**

**Akron, Ohio**





# Dave Yost • Auditor of State

Board of Directors  
Towpath Trail High School  
275 W. Market Street  
Akron, Ohio 44308

We have reviewed the *Independent Auditor's Report* of the Towpath Trail High School, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 24, 2014

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**Towpath Trail High School  
Akron, Ohio**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2013**

**Prepared by Brian G. Adams MBA, CMA, CFM, CrFA**

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

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# Introductory Section

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December 31, 2013

Towpath Trail High School  
Members of the Board of Directors

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Towpath Trail High School (formerly Life Skills Center of Akron) (the School) for the fiscal year ended June 30, 2013. The CAFR is designed to assist and guide the reader in understanding its contents. The report consists of three major sections:

Introductory Section The Introductory Section includes the Transmittal Letter, a list of our Board members, an organizational chart, and GFOA Certificate of Achievement.

Financial Section The Financial Section consists of the Independent Auditor's Report, Management's Discussion and Analysis, and the Basic Financial Statements as well as the Notes to the Basic Financial Statements that provide an overview of the School's financial position and operating results.

Statistical Section The Statistical Section includes selected financial and demographic information about the School on a multi-year basis.

The School's management is responsible for the reliability of the data presented and the completeness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

Further, the School has established a comprehensive framework of internal controls that is designed to compile sufficient reliable information for the preparation of its financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the School's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

Ohio law requires independent audits be performed on all financial operations of the School either by the Auditor of State or an independent public accounting firm in accordance with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS). Rea Associates, Inc. rendered an opinion on the School's financial statements as of June 30, 2013 and the Independent Auditor's Report on the Basic Financial Statements is included in the Financial Section herein.

As required by GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", management is also responsible for preparing a discussion and analysis of the School. This Letter of Transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. This discussion follows the Independent Auditor's Report and provides an assessment of the School's finances for fiscal year 2013 and the outlook for the future.

### Profile of the Government

Ohio charter schools began operating after the passage of a 1997 State law. Charter schools, commonly referred to as “community schools” in Ohio, are public, non-profit, non-sectarian schools established to operate independently of any School District. These schools also are exempt from many of the education laws of the State allowing them to bring innovation and efficiency to the traditional education model. More importantly, the passage of this law made the concept of school choice a reality in Ohio. As required by law, each of these community schools must have a sponsor. Effective July 1, 2010, the School entered into a contract with a sponsor, St. Aloysius Orphanage. St. Aloysius Orphanage provides oversight and advisory services to 46 community schools throughout the State serving over 10,000 children.

Towpath Trail High School is a School that brings an innovative approach to addressing the high school dropout epidemic head on. This alternative high school program offers at-risk students ages 16-21 years old an opportunity to have a second chance at obtaining a quality education and vocational training and placement. Participation in this program leads students to a high school diploma, not a GED and places them on a path to success (see more at [www.lifeskillscenters.com](http://www.lifeskillscenters.com)). The School, which first opened its doors in August of 1999 in downtown Akron, Ohio is run by an eight member Board of Directors. The School looks to its nearly twelfth-year history of consistently graduating students from its program twice a year as a measure of its success. The School has contracted with Midwest Education Partners dba Cambridge Education Group (CEG) (the Company) to operate the School on a day-to-day basis. CEG is a national leader in professional education management that operates 10 schools in under the auspices of three separate educational ventures. The Company began managing the school July 2012.

### Economic Issues

Since the enactment of community school legislation, the School has been funded solely on the per pupil funding set forth by State of Ohio (see Statistical Section for historical funding levels). Historically, the School has seen increases in the base level per pupil funding amount (funding has decreased slightly during the past 2 fiscal years). However, this amount is still less than the amount that traditional school districts in the State receive per pupil, primarily because community schools are not authorized by statute to levy taxes in the communities that they operate in. By comparison, the Akron City School District receives over \$17,000 in average per pupil funding from all sources whereas the School (which is also located in the City of Akron) receives only \$9,429 from all sources. These disparities in funding are in part, the reason why contracting with a professional educational management firm like CEG Management was an attractive option. By managing multiple schools, the Company is able to gain operational efficiencies that are more difficult to achieve in a stand-alone school.

As discussed later, the School was funded on 165 full-time equivalent students for fiscal year 2013. As of the date of this letter, it is expected the School will maintain that enrollment with the possibility of a slight decline consistent with declines seen in other schools throughout the State. Obviously, any decline in enrollment would have a direct corresponding impact to current year revenues.

Awards and Acknowledgements

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Towpath Trail High School (formerly Life Skills Center of Akron) for its CAFR for the year ended June 30, 2012. The School has received the award annually since 2004. The School was also acknowledged by the Ohio Department of Education as being one of the first community schools in the State to ever receive such an award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and effectively organized CAFR, whose content conforms to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report, which is included herein, will conform to the high standards required by the Certificate of Achievement program.

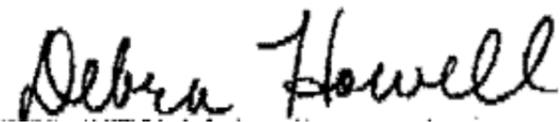
The Comprehensive Annual Financial Report was prepared by the fiscal management team for the School. Their commitment to this process has helped to make this report possible. We would also like to thank Ms. Howell and other members of the Board of Directors and Finance Committee for their support in this endeavor. It is truly appreciated.

Finally, we would like to thank our School community for entrusting us with the education of your children. You are the reason we are here. We are committed to bettering our students, their parents, and the communities we serve by providing the very best alternative in public education.

Sincerely,



Brian G. Adams MBA, CMA, CFM, CGFM  
Fiscal Officer/Internal Auditor  
Towpath Trail High School

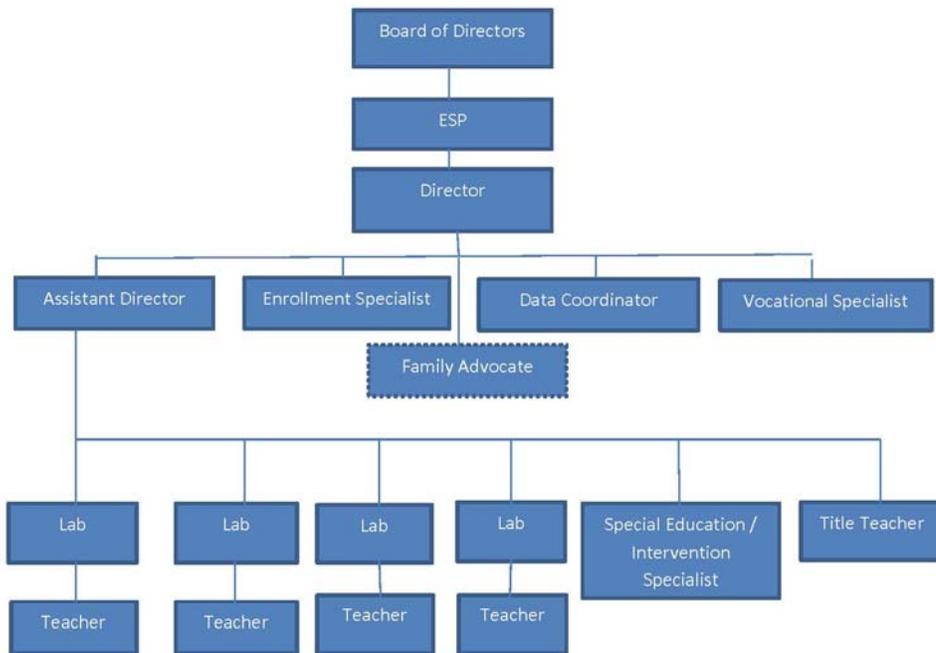


Debra Howell  
President, Board of Directors  
Towpath Trail High School

Towpath Trail High School  
Board of Directors  
June 30, 2013

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Debra Howell	Board President
Ron McDaniel	Board Member
Dawn Lavensky	Board Member
Paula Seibel	Board Member
Patricia DeFranco	Board Member
Maureen Ziegler	Board Member
Nadir Akbar	Board Member
Kathleen Brand	Board Member



\*Optional Based on School Size



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Life Skills Center of Akron  
Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Financial Section

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December 31, 2013

To the Board of Directors  
Towpath Trail High School  
Summit County, Ohio  
275 W. Market Street  
Akron, OH 44308

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of Towpath Trail High School, Summit County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 business-type activities of the School, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013 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 the School's internal control over financial reporting and compliance.

*Kea & Associates, Inc.*

Medina, Ohio

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

The discussion and analysis of the Towpath Trail High School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- In total, Net Position increased by \$71,685, which represents a 38.8 percent from 2012. This increase is due to restructuring of the management agreement discussed in Note 7.
- Total assets increased \$32,391, which represents a 9.7 percent increase from 2012. This was primarily due to an increase in cash and decrease grants receivable from the previous year.
- Liabilities decreased \$39,294 which represents a 26.5 percent decrease from 2012. The decrease in liabilities is due to a decrease in accounts payable.

**Using this Financial Report**

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

The School uses enterprise presentation for all of its activities.

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2013. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

Table 1 provides a summary of the School's Net Position for fiscal years 2013 and 2012.

(Table 1)  
**Statement of Net Position**

	2013	2012
<b>Assets</b>		
Current Assets	\$339,215	\$ 320,019
Non-Current Assets:		
Deposits	11,000	-
Capital Assets, Net	15,567	13,372
Total Assets	365,782	333,391
<b>Liabilities</b>		
Current Liabilities	106,041	148,399
Long Term Liabilities	3,064	-
Total Liabilities	109,105	148,399
<b>Net Position</b>		
Investment in Capital Assets	10,770	13,372
Unrestricted	245,907	171,620
Total Net Position	\$256,677	\$ 184,992

Total assets increased \$32,391, which represents a 9.7 percent increase from 2012. This was primarily due to increase in cash and receivables from the previous year. Liabilities decreased \$39,294 which represents a 26.5 percent decrease from 2012. The decrease in liabilities is due to a decrease in accounts payable.

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

Table 2 shows the changes in Net Position for fiscal years 2013 and 2012, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

(Table 2)

**Change in Net Assets**

	2013	2012
<b>Operating Revenue</b>		
State Aid	\$ 1,361,807	\$ 1,441,109
Casino Aid	3,306	-
<b>Non-Operating Revenue</b>		
Grants	187,903	348,317
Miscellaneous	2,736	356
Interest Income	99	1,296
Total Revenues	1,555,851	1,791,078
<b>Operating Expense</b>		
Purchased Services: Salaries and Benefits	542,993	-
Purchased Services: Management Fees	217,848	1,360,960
Purchased Services: Grant Programs	-	234,597
Instructional Services	46,125	63,468
Sponsorship Fees	40,747	43,254
Legal	34,959	59,346
Auditing and Accounting	37,647	30,463
Other Professional Services	158,738	-
Other Purchased Services	295,601	-
Supplies	83,442	-
Depreciation	3,936	884
Other Operating Expenses	21,198	-
Insurance	-	1,314
Board of Education	-	18,944
Equipment and Furniture	-	128,070
Professional Services	-	60,518
Miscellaneous	-	24,921
<b>Non-Operating Expenses</b>		
Loss on Disposition of Assets	-	6,355
Interest and Fiscal Charges	932	-
Total Expenses	1,484,166	2,033,094
Change in Net Position	\$ 71,685	\$ (242,016)

The primary reason for the decrease in overall revenues from 2012 is due to a decrease in enrollment and federal grant revenues. The School's most significant expenses, "Purchased Services- Management Fees" decreased as well because of the management agreement in place between the School and its former management company. As stated previously, the agreement provides that specific percentages of the revenues received by the School will be paid to CEG to fund operations. (See Notes to the Basic Financial Statements, Note 7)

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)**

**Budgeting Highlights**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

**Capital Assets**

At the end of fiscal year 2013 the School had \$15,567, invested in Leasehold Improvements and Furniture and Equipment which represented an increase of \$2,195 from 2012. Additionally, the School has computers and software, which are fully depreciated. Table 3 shows the changes in Capital Assets below:

(Table 3)

**Capital Assets (Net of Depreciation)**

	<u>2013</u>	<u>2012</u>
Leasehold Improvements	\$ 10,662	\$ 13,372
Furniture and Equipment	4,905	-
Total Capital Assets, Net	<u>\$ 15,567</u>	<u>\$ 13,372</u>

For more information on capital assets, see Note 5 in the Notes to the Basic Financial Statements.

**Current Financial Issues**

The Towpath Trail High School received revenue for 165 students in 2013 and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The School receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the School averaged \$8,273 in fiscal year 2013. The School receives additional revenues from grant subsidies.

In June 2010, the School contracted with Saint Aloysius Orphanage (SAO) to be its Sponsor. The term of the contract is from July 1, 2010 through June 30, 2013. SAO will be paid Two Percent (2%) for the time period of July 1, 2010 through June 30, 2011, Two and a half Percent (2.5%) for the time period of July 1, 2011 through June 30, 2012 and Three Percent (3%) for the remainder of the contractual period.

**Contacting the School's Financial Management**

This financial report is designed to provide our readers 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 information, contact Brian G. Adams, Fiscal Officer for the Towpath Trail High School, 65 E. Wilson Bridge Road Worthington, OH 43085 or e-mail at [badams@ocscltd.com](mailto:badams@ocscltd.com).

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 273,812
Grants Receivable	53,924
Prepaid Retirement Expenses	11,049
Receivable From School	430

Total Current Assets 339,215

Noncurrent Assets

Leasehold Deposits	11,000
Depreciable Capital Assets, net	15,567

Total Non-Current Assets 26,567

**Total Assets** 365,782

**LIABILITIES**

Current Liabilities

Accounts Payable	46,081
Grants Funding Payable	29,452
Continuing Fees Payable	28,775
Capital Lease Payable, Due within one year	1,733

Total Current Liabilities 106,041

Long-Term Liabilities:

Capital Lease Payable, Due in more than one year	3,064
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**Total Liabilities** 109,105

**NET POSITION**

Net Investment in Capital Assets	10,770
Unrestricted	245,907

**Total Net Position** \$ 256,677

See accompanying notes to the basic financial statements

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>OPERATING REVENUES</b>	
State Aid	\$1,361,807
Casino Aid	3,306
	<hr/>
Total Operating Revenues	1,365,113
	<hr/>
<b>OPERATING EXPENSES</b>	
Purchased Services: Salaries and Benefits	542,993
Purchased Services: Management Fees	217,848
Instructional Services	46,125
Sponsorship Fees	40,747
Legal	34,959
Auditing and Accounting	37,647
Other Professional Services	158,738
Other Purchased Services	295,601
Supplies	83,442
Depreciation	3,936
Other Operating Expenses	21,198
	<hr/>
<b>Total Operating Expenses</b>	<b>1,483,234</b>
	<hr/>
<b>Operating Loss</b>	<b>(118,121)</b>
	<hr/>
<b>NON-OPERATING REVENUE/(EXPENSES)</b>	
Grants	187,903
Interest and Fiscal Charges	(932)
Miscellaneous	2,736
Interest Income	99
	<hr/>
<b>Total Non-Operating Revenue/(Expenses)</b>	<b>189,806</b>
	<hr/>
<b>Change in Net Position</b>	<b>71,685</b>
	<hr/>
<b>Net Position Beginning of Year</b>	<b>184,992</b>
	<hr/>
<b>Net Position End of Year</b>	<b>\$ 256,677</b>
	<hr/>

See accompanying notes to the basic financial statements

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
JUNE 30, 2013**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State of Ohio	\$1,353,342
Cash Payments to Suppliers for Goods and Services	<u>(1,499,725)</u>

Net Cash Used For Operating Activities	<u>(146,383)</u>
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Miscellaneous Cash Receipts	2,736
Cash Received from Grant Programs	<u>226,634</u>

Net Cash Provided by Noncapital Financing Activities	<u>229,370</u>
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**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Cash Payments for Interest and Fiscal Charges	(932)
Cash Payments for Principal Payments	<u>(1,334)</u>

Net Cash Used For Capital Financing Activities	<u>(2,266)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Interest on Investments	<u>99</u>
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<b>Net Increase in Cash and Cash Equivalents</b>	<b>80,820</b>
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<b>Cash and Cash Equivalents Beginning of Year</b>	<u>192,992</u>
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<b>Cash and Cash Equivalents End of Year</b>	<u><u>\$ 273,812</u></u>
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**RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ (118,121)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	3,936
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Changes in Assets and Liabilities:

Continuing Fee Receivable	11,124
Prepaid Retirement Expenses	(11,049)
Sponsor Fee Receivable	353
Receivable From School	465
Deposits	11,000
Accounts Payable	(48,142)
State Funding Payable	(11,771)
Grants Payable	(11,124)
Continuing Fee Payable	28,775
Payable to Schools	<u>(1,829)</u>

<b>Net Cash Used For Operating Activities</b>	<u><u>\$ (146,383)</u></u>
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Non-Cash Transactions: The School entered into a capital lease in the amount of \$6,131.  
See accompanying notes to the basic financial statements

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**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Towpath Trail High School (the School) is a federal 501(c)(3), state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with Midwest Education Partners, dba Cambridge Education Group CEG for most of its functions. CEG is the entity with which the School's board interacts regarding day-to-day operations (see note 7 for details).

The School was originally approved for operation under contract with the Ohio State Board of Education for a period of five years from July 12, 1999 through June 30, 2004. The contract was renewed with the Ohio State Board of Education for a subsequent one year period from July 1, 2004 through June 30, 2005. Effective July 1, 2005, House Bill 364 required schools sponsored by the Ohio Department of Education to have new sponsorship in place by June 30, 2005. The School signed a contract with Ohio Council of Community Schools (Sponsor), to operate for a period from July 1, 2005 through June 30, 2010. In June 2010, the School contracted with Saint Aloysius Orphanage (SAO) to be its Sponsor. The term of the contract is from July 1, 2010 through June 30, 2013.

The School operates under a self-appointing, eight-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School began operations in August 1999 and has one instructional/support facility, which is leased by the school. The facility is staffed with teaching personnel employed by CEG, who provide services to 165 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation (Continued)**

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-end reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total Net Position. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract. In addition, the Board adopted an operating budget at the beginning of fiscal year 2013. However, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**D. Cash and Cash Equivalents**

All cash received by the School is maintained in a demand deposit account, a money market account, certificates of deposit, and STAROhio. For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

During fiscal year 2013, investments were limited to the State Treasurer's Investment Pool, STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013.

**E. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Intergovernmental Revenues (Continued)**

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2013 school year totaled \$1,553,016.

**F. Capital Assets and Depreciation**

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation, are \$15,567. Depreciation is computed by the straight-line method over three years for "Computers and Software", five years for "Furniture and Equipment", and five to twenty years for "Leasehold Improvements".

**G. Use of Estimates**

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

**H. Net Position**

Net Position represents the difference between assets and liabilities. Net Position consists of net invested in capital assets and unrestricted Net Position.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the School's primary activities. For the School, these revenues are primarily State and Casino Aid payments. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activities of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all School deposits was \$262,717 and its bank balance was \$274,615. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$24,615 of the School's bank balance was exposed to custodial risk as discussed below. \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation.

The investment and deposit of the School's monies is governed by the provisions of the ORC. In accordance with these statutes, the School is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit and STAR Ohio.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial credit risk beyond the requirements of state statute. According to state law, public depositories must give security for all public funds on deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. State law does not require security for public deposits and investments to be maintained in the School's name. During 2013, the School and public depositories complied with the provisions of these statutes.

**B. Investments**

As of June 30, 2013, the School had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>Greater than 12 months</u>
STAROhio	\$11,095	\$11,095	\$ -	\$ -

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School's investment policy limits investment portfolio maturities to five years or less. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013, is 58 days.

*Credit Risk:* The School's investments at June 30, 2013 in StarOhio are rated AAAM by Standard & Poor's.

*Concentration of Credit Risk:* The School places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
STAROhio	\$11,095	100.00

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. GRANTS FUNDING RECEIVABLE/PAYABLE**

The School has recorded "Grants Funding Receivable" in the amount of \$53,924 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2013.

Additionally, under the terms of the previous management agreement, the School has recorded a liability to former management company WHLS in the amount of \$29,452 for 100 percent of any State and Federal monies uncollected and/or unpaid to WHLS as of June 30, 2013 for fiscal year 2012.

**5. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2013, the School's capital assets consisted of the following:

	Balance <u>06/30/12</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>06/30/13</u>
<b>Capital Assets Being Depreciated</b>				
Leasehold Improvements	\$ 66,072		\$ -	\$ 66,072
Furniture and Equipment	11,829	6,131	-	17,960
Computers and Software	<u>21,336</u>	<u>-</u>	<u>-</u>	<u>21,336</u>
<b>Total Capital Assets Being Depreciated</b>	<u>99,237</u>	<u>6,131</u>	<u>-</u>	<u>105,368</u>
<b>Less Accumulated Depreciation</b>				
Leasehold Improvements	(52,700)	(2,710)		(55,410)
Furniture and Equipment	(11,829)	(1,226)	-	(13,055)
Computers and Software	<u>(21,336)</u>	<u>-</u>	<u>-</u>	<u>(21,336)</u>
<b>Total Accumulated Depreciation</b>	<u>(85,865)</u>	<u>(3,936)</u>	<u>-</u>	<u>(89,801)</u>
<b>Net Total Capital Assets</b>	<u>\$ 13,372</u>	<u>\$ 2,195</u>	<u>\$ -</u>	<u>\$ 15,567</u>

**6. RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with CEG, the school has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (See Note 7). There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

**Director and Officer** - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and a \$2,500 deductible.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. AGREEMENT WITH CAMBRIDGE EDUCATION GROUP**

Effective July 1, 2012, the School entered into a multi-year Management Agreement (Agreement) with Midwest Education Partners, dba Cambridge Education Group (CEG) which is a subsidiary of Newpoint Education for consulting and management of the School. The Agreement's term runs through June 30, 2015. Substantially all functions of the School have been contracted to CEG.

CEG is responsible and accountable to the Board of Directors for the administration and day-to-day operations. As part of the terms of this agreement, the "Continuing Fee" percentage of the School is 16 percent. In addition to the management fee described above, the School will reimburse CEG for its payroll and other costs eligible for reimbursement. The management fees CEG receives is 16 percent of "state and local" revenue.

The School had purchased service expenses for the year ended June 30, 2013, to CEG of \$760,841, with Payables to CEG at June 30, 2013 aggregating \$28,775. CEG is responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

**8. DEFINED BENEFIT PENSION PLANS**

The School has contracted with CEG to provide employee services and to pay those employees. However, these contract services do not relieve the School of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to each of the systems noted below: (See Note 7)

**A. School Employees Retirement System**

**Plan Description** - CEG on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the CEG is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. CEG contributions to SERS for the year ended June 30, 2013, 2012 and 2011 were \$10,657, \$9,292, and \$9,344, respectively, which equaled the required contributions each year.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**B. State Teachers Retirement System**

**Plan Description** – CEG, on behalf of the School, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$54,372, \$55,558, and \$59,436, respectively, of which 100% has been contributed. .

The above is the latest information available.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement Systems**

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

**Medicare Part B**

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2013, the actuarial required allocation is .74 percent. WHLS contributions for the years ended June 30, 2013, 2012 and 2011 were \$604, \$549, and \$601, respectively, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement Systems (Continued)**

than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2013, the minimum compensation level was established at \$20,525. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Schools' contributions assigned to health care for the years ended June 30, 2013, 2012 and 2011 were \$1,438, \$402, and \$2,498, respectively, which equaled the required contributions each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**B. State Teachers Retirement System**

**Plan Description** – CEG, on behalf of the School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,182, \$4,274, and \$4,572, respectively, all of which has been contributed for all fiscal years.

The above is the latest information available.

**10. CONTINGENCES**

**A. Grants**

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

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. CONTINGENCES (Continued)**

**B. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2013 have not been calculated as of the audit date and will be included in the financial activity for fiscal year 2014.

**11. SPONSORSHIP FEES**

In June 2010, the School contracted with Saint Aloysius Orphanage (SAO) to be its Sponsor. The term of the contract is from July 1, 2010 through June 30, 2013. SAO will be paid Two Percent (2%) for the time period of July 1, 2010 through June 30, 2011, Two and a half Percent (2.5%) for the time period of July 1, 2011 through June 30, 2012 and Three Percent (3%) for the remainder of the contractual period. The Sponsor provides oversight, monitoring, and technical assistance for the School. Total fees paid to the Sponsor were \$40,747.

**12. TAX EXEMPT STATUS**

The School was approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization.

**13. RECEIVABLES/PAYABLES FROM SCHOOLS**

The School shares costs for certain professional services with other CEG Schools. As of June 30, 2013, the School has \$430 due from other schools (receivable) for various payments made for these services.

**14. OPERATING LEASES – LESSEE DISCLOSURE**

The school has entered into a lease agreement for fiscal year 2013 with Market-Goodwin properties. The term of the lease is for 7 years and 11 months at \$11,000 per month. The school paid a deposit of \$11,000 to secure the facility and the deposit is listed on the financial statements. Total Lease payments for fiscal year 2013 were \$129,318.

**15. CHANGE IN ACCOUNTING PRINCIPLES**

For 2013, the school has implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the school's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

**TOWPATH TRAIL HIGH SCHOOL  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**16. RELATED PARTY TRANSACTION**

The School entered into a multi-year Management Agreement (Agreement) with Midwest Education Partners, dba Cambridge Education Group (CEG) which is a subsidiary of Newpoint Education for consulting and management of the School. The President of Newpoint Education Partners, Marcus May, is also the General Manager for Market-Goodwin Properties, LLC.

**17. CAPITALIZED LEASE OBLIGATIONS**

The school entered into a capitalized lease for the acquisition of equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. This capital lease has been recorded as a capital asset at the present value of the minimum lease payments as of the inception date. The capital lease is recorded as Equipment of \$6,131. The School paid \$1,334 in principal and \$932 in interest for the fiscal year ended June 30, 2013. \$1,733 of principal payments are due in fiscal year 2014.

<u>Fiscal Year</u>	<u>Capital Lease</u>
2014	\$ 2,471
2015	2,471
2016	<u>1,030</u>
Total	5,972
Less: Amount Representing Interest	<u>(1,175)</u>
Present Value of minimum payments	<u><u>\$ 4,797</u></u>

# Statistical Section

# STATISTICAL SECTION

This part of the **Towpath Trail High School's** comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the School's overall financial health.

## Contents

### ***Financial Trends***

This schedule contains trend information to help the reader understand how the School's overall expenses by class compared with the expenditure per pupil have changed over time.

- Operating Expenses by Category
- State Basic Aid – Per Pupil Funding

### ***Revenue Capacity***

This schedule contains information to help the reader assess the affordability of the School's most significant revenue sources the state aid and grants.

- Operating and Non-Operating Revenues

### ***Enrollment Trends***

This schedule contains information to help the reader understand the changes in enrollment over time.

- Full-Time Equivalent (FTE) Enrollment

### ***Revenue by Grants Sources***

This schedule contains information to help the reader understand the changes in revenues by grant source.

- Grant Revenues by Source

### ***Net Position Trends***

This schedule offers information to help the reader understand the funds invested in capital assets versus the unrestricted funds remaining for future expenditures.

- Net Position

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.

- Student Population by Resident District
- Miscellaneous Statistics
- Principal Employers

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School implemented GASB Statement 34 for the year ended June 30, 2004.

Towpath Trail High School  
Operating Expenses by Category  
Last Ten Fiscal Years

Fiscal Year

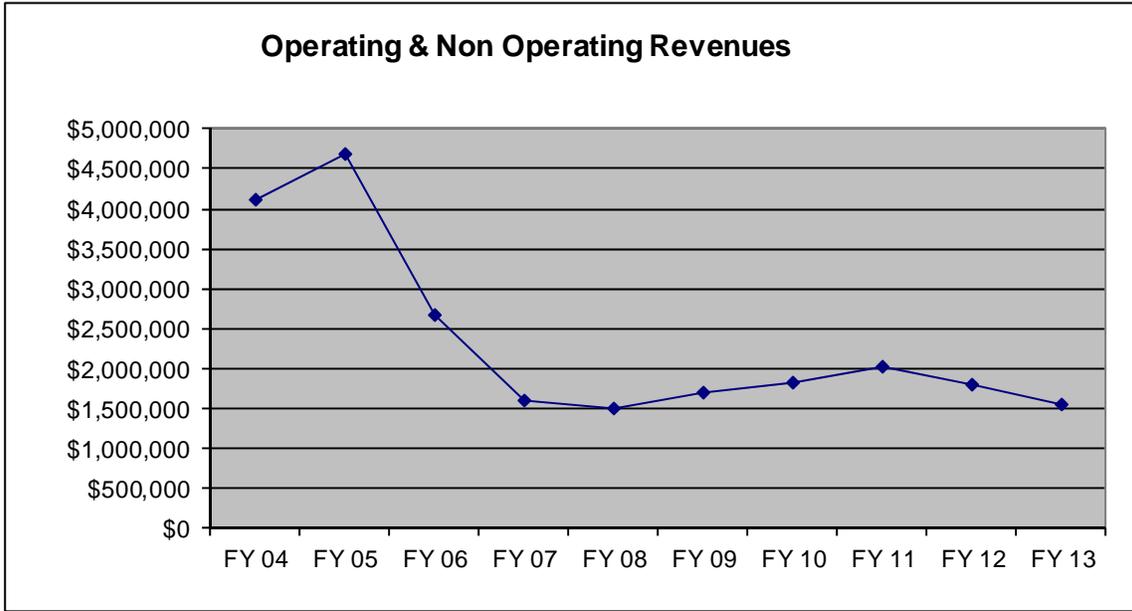
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Purchased Services Management Fees	\$ 217,848	\$1,360,960	\$1,376,910	\$1,324,274	\$1,429,900	\$1,247,552	\$1,296,936	\$2,322,855	\$4,255,602	\$3,721,511
Purchased Services Salaries and Benefits	\$ 542,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchased Services Grant Programs	\$ -	\$ 234,597	\$ 548,219	\$ 426,273	\$ 171,507	\$ 161,992	\$ 207,677	\$ 212,713	\$ 300,594	\$ 272,915
Other Purchased Services	\$ 295,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies, Furniture & Fixtures	\$ 83,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sponsor Fees	\$ 40,747	\$ 43,254	\$ 43,170	\$ 6,974	\$ 7,523	\$ 6,561	\$ 7,111	\$ 12,008	\$ -	\$ -
Legal & Professional	\$ 239,822	\$ 183,332	\$ 46,284	\$ 29,953	\$ 17,980	\$ 16,844	\$ 30,074	\$ 23,702	\$ 31,871	\$ 24,157
Insurance	\$ -	\$ 1,314	\$ 1,339	\$ 1,322	\$ 1,492	\$ 1,390	\$ 1,390	\$ 6,625	\$ 2,552	\$ 6,418
Auditing & Accounting	\$ 37,647	\$ 30,463	\$ 24,785	\$ 27,249	\$ 24,822	\$ 21,831	\$ 21,162	\$ 11,327	\$ 5,221	\$ 4,992
Board of Education	\$ -	\$ 18,944	\$ 4,848	\$ 4,641	\$ 2,246	\$ 488	\$ 32,415	\$ 11,629	\$ 21,686	\$ 13,694
Depreciation & Other	\$ 25,134	\$ 153,875	\$ 4,704	\$ 7,024	\$ 3,123	\$ 2,059	\$ 4,077	\$ 14,811	\$ 10,943	\$ 20,596
<b>Total</b>	<b>\$1,483,234</b>	<b>\$2,026,739</b>	<b>\$2,050,259</b>	<b>\$1,827,710</b>	<b>\$1,658,593</b>	<b>\$1,458,717</b>	<b>\$1,600,842</b>	<b>\$2,615,670</b>	<b>\$4,628,469</b>	<b>\$4,064,283</b>
Enrollment	165	173	197	192	183	169	189	343	593	604
Per Pupil Expenditure	\$ 8,989	\$ 11,715	\$ 10,407	\$ 9,519	\$ 9,063	\$ 8,631	\$ 8,470	\$ 7,626	\$ 7,805	\$ 6,729

**Note: The School began enrolling students in FY 00 & during FY13 switched management companies causing the change in classifications.**

**Source: School Financial Records**

Towpath Trail High School  
 Operating and Non-Operating Revenues  
 Last Ten Fiscal Years

<u>Year</u>	<u>State and Casino Aid</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
2013	\$1,365,113	\$187,903	\$ 2,835	<b>\$1,555,851</b>
2012	\$1,441,109	\$348,317	\$ 1,652	<b>\$1,791,078</b>
2011	\$1,449,379	\$562,341	\$ 136	<b>\$2,011,856</b>
2010	\$1,394,767	\$426,593	\$ 5,067	<b>\$1,826,427</b>
2009	\$1,504,526	\$171,507	\$ 7,229	<b>\$1,683,262</b>
2008	\$1,312,122	\$161,992	\$19,313	<b>\$1,493,427</b>
2007	\$1,365,196	\$207,677	\$25,622	<b>\$1,598,495</b>
2006	\$2,419,767	\$212,713	\$23,445	<b>\$2,655,925</b>
2005	\$4,387,218	\$300,594	\$ 9,359	<b>\$4,697,171</b>
2004	\$3,836,610	\$272,915	\$ 2,355	<b>\$4,111,880</b>



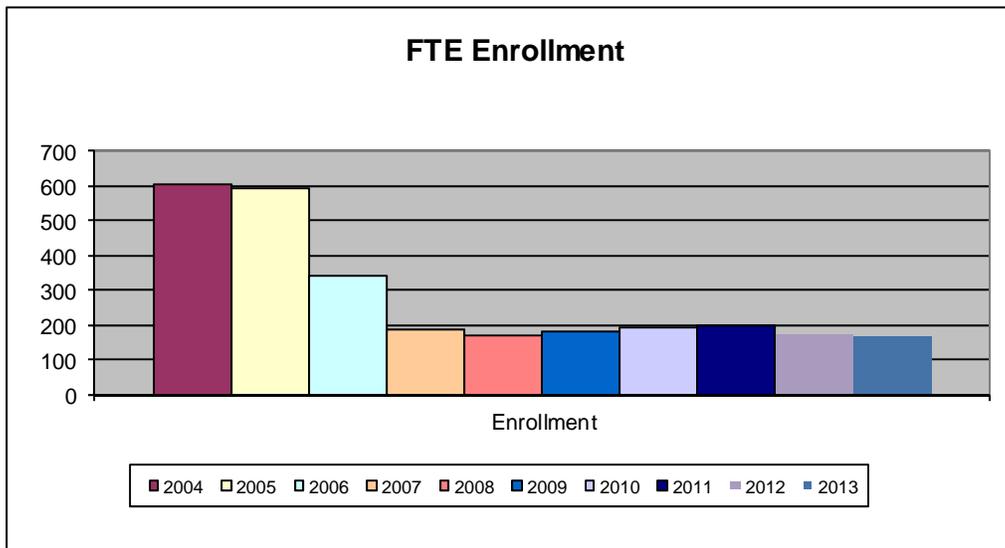
**Note: The School began enrolling students in FY 00.**

**Source: School Financial Records**

Towpath Trail High School  
Full-Time Equivalent (FTE) Enrollment  
Last Ten Fiscal Years

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<u>Year</u>	<u>Enrollment</u>
2013	165
2012	173
2011	197
2010	192
2009	183
2008	169
2007	189
2006	343
2005	593
2004	604

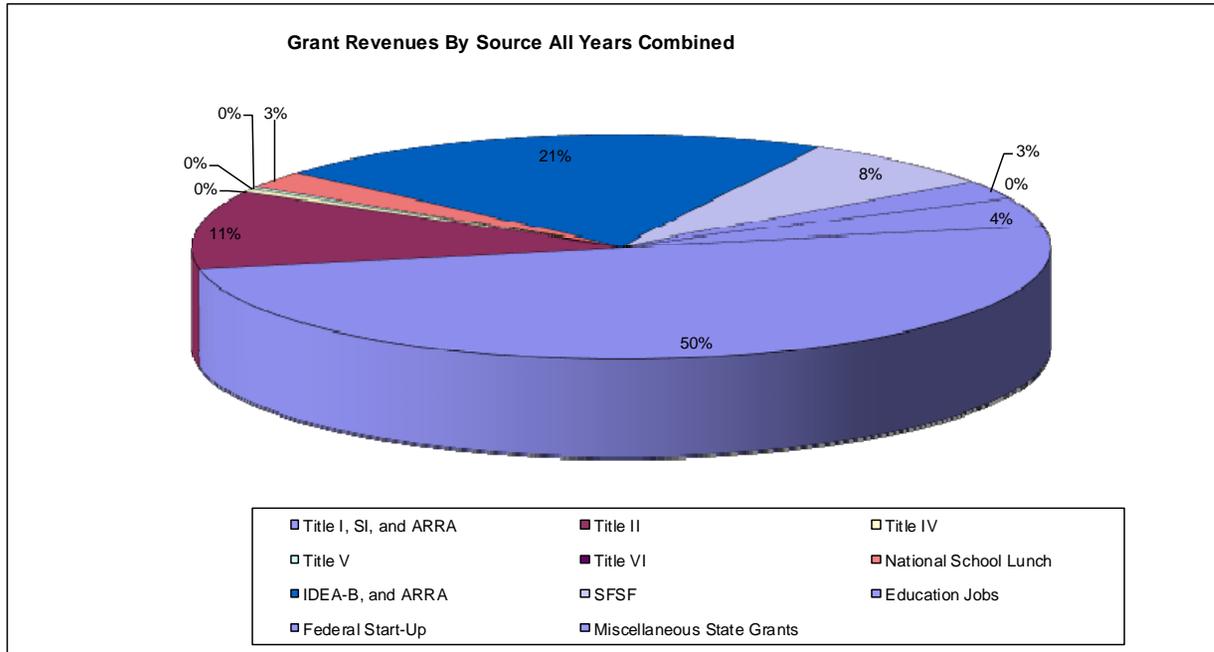


**Note: The School began enrolling students in FY 00.**

**Source: School Financial Records**

## Towpath Trail High School Grant Revenues by Source Last Ten Fiscal Years

Year	Title I	Title II	Title IV	Title V	Title VI	National School Lunch Program	IDEA-B	State Stabilization	Education Jobs	Federal Start-Up	Misc State Grants	Total
2013	\$ 81,638	\$27,514		\$ -	\$ -	\$20,091	\$ 58,058	\$ -	\$ -	\$ -	\$ 602	\$187,903
2012	\$196,689	\$21,039		\$ -	\$ -	\$24,799	\$ 41,577	\$ -	\$ 63,468	\$ -	\$ 745	\$348,317
2011	\$289,374	\$74,404	\$ 450	\$ -	\$ -	\$10,751	\$ 45,068	\$ 122,578	\$ 14,121	\$ -	\$ 5,596	\$562,341
2010	\$234,575	\$10,565	\$ 522	\$ -	\$ -	\$17,294	\$ 62,175	\$ 96,462	\$ -	\$ -	\$ 5,000	\$426,593
2009	\$138,100	\$ (4,033)	\$ 433	\$ 144	\$ -	\$ -	\$ 29,273	\$ -	\$ -	\$ -	\$ 7,590	\$171,507
2008	\$ 70,873	\$33,981	\$1,697	\$ 450	\$ -	\$ -	\$ 46,001	\$ -	\$ -	\$ -	\$ 8,990	\$161,992
2007	\$ 98,188	\$35,827	\$1,481	\$ 382	\$ -	\$ -	\$ 54,820	\$ -	\$ -	\$ -	\$16,979	\$207,677
2006	\$ 64,796	\$34,072	\$3,400	\$1,530	\$ -	\$ -	\$101,190	\$ -	\$ -	\$ -	\$ 7,725	\$212,713
2005	\$149,022	\$42,377	\$3,050	\$2,701	\$ -	\$ -	\$ 92,219	\$ -	\$ -	\$ -	\$11,225	\$300,594
2004	\$ 94,083	\$38,825	\$4,176	\$3,389	\$ -	\$ -	\$ 78,617	\$ -	\$ -	\$ -	\$53,825	\$272,915

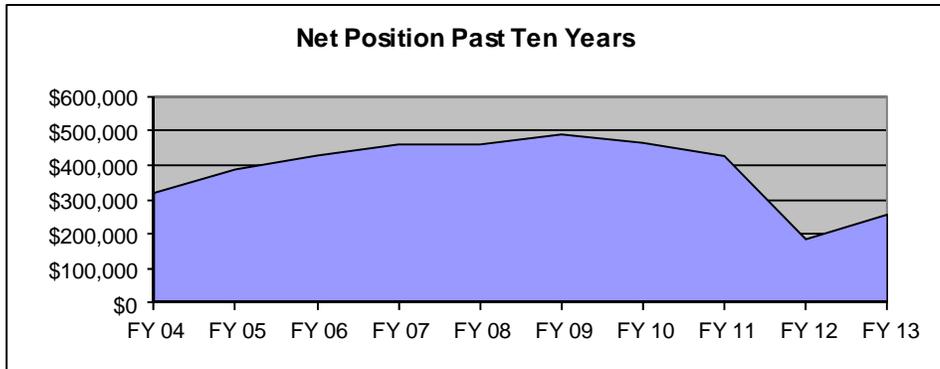


**Note: The School began enrolling students in FY 00.**

**Source: School Financial Records**

Towpath Trail High School  
Net Position  
Last Ten Fiscal Years

<u>Year</u>	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Change in Net Position</u>
2013	\$10,770	\$ 245,907	\$ 256,677	\$ 71,685
2012	\$13,372	\$ 171,620	\$ 184,992	\$(242,016)
2011	\$ 7,061	\$ 419,947	\$ 427,008	\$ (38,403)
2010	\$ 7,767	\$ 457,644	\$ 465,411	\$ (24,602)
2009	\$ 8,473	\$ 481,540	\$ 490,013	\$ 29,154
2008	\$ 9,179	\$ 451,680	\$ 460,859	\$ 34,710
2007	\$ 9,885	\$ 416,264	\$ 426,149	\$ (2,347)
2006	\$10,591	\$ 417,905	\$ 428,496	\$ 40,255
2005	\$21,343	\$ 366,899	\$ 388,242	\$ 68,702
2004	\$32,095	\$ 287,445	\$ 319,540	\$ 319,540



**Note 1:** The School began enrolling students in FY 00.

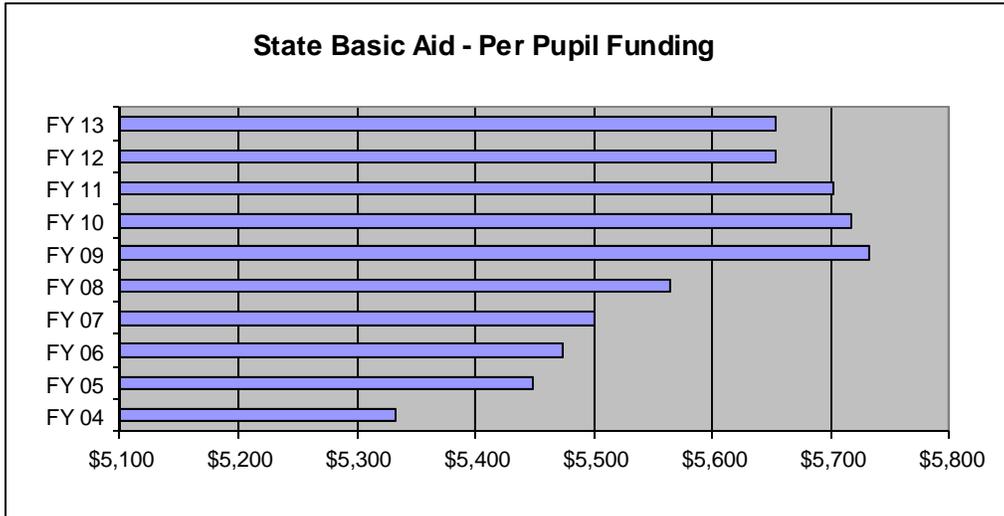
**Note 2:** FY 03 Net Position were restated during FY 04 as a result of a change in the School's capitalization threshold from \$1,000 to \$5,000.

\* FY 08 Net Position were restated during FY 09 as a result of an error in calculating grant revenues. This effected receivables from the State and payables due the management company

**Source:** School Financial Records

Towpath Trail High School  
 State Basic Aid – Per Pupil Funding Amount  
 Last Ten Fiscal Years

<u>Year</u>	<u>Per Pupil Funding</u>	<u>Cost of Doing Business</u>	<u>Total Per Pupil</u>
2013	\$ 5,653	0.0000	\$ 5,653
2012	\$ 5,653	0.0000	\$ 5,653
2011	\$ 5,703	0.0000	\$ 5,703
2010	\$ 5,718	0.0000	\$ 5,718
2009	\$ 5,732	0.0000	\$ 5,732
2008	\$ 5,565	0.0000	\$ 5,565
2007	\$ 5,403	1.0181	\$ 5,501
2006	\$ 5,283	1.0361	\$ 5,474
2005	\$ 5,169	1.0542	\$ 5,449
2004	\$ 5,058	1.0542	\$ 5,332



**Note 1:** In addition to the above, The School also receives other sources of State Aid including Career Based Intervention Funding, Disadvantaged Pupil Impact Aid, Parity Aid, and Special Education funding. These revenues have collectively been identified on the Statement of Revenues, Expenses, and Changes in Net Position as “State Aid”.

The Cost of Doing Business Factors are determined by the State of Ohio and vary by region.

**Note 2:** The School began enrolling students in FY 00.

**Note 3:** The Ohio Department of Education eliminated the cost of doing business factor in fiscal year 2009.

Source: Ohio Department of Education

Towpath Trail High School  
Student Population by Resident District  
2013 Fiscal Year

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<u>Resident District</u>	<u>%</u>
Akron	92.13%
Copley-Fairlawn	1.02%
Barberton	2.36%
Green	1.07%
All Other Districts	3.42%

**Note 1:** The School has open enrollment and draws its population from a large surrounding area. The traditional school district that the student resides in is referred to as the Resident District.

**Note 2:** Districts representing less than 1 percent of the student population are combined under the heading "All Other Districts".

**Source:** Ohio Department of Education

Towpath Trail High School  
Miscellaneous Statistics

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**School Address:** 275 W. Market Street  
Akron, OH 44308

**Square Footage:** 10,900 sq. ft.

**Date of Incorporation:** 7/28/1999

**Instructional Staff:** 6

**Total FY 13 Staff:** 10



**Note: All Staff are employees of CEG of Ohio, LLC. See Note 7 in Notes to the Basic Financial Statements.**

**Instructional Staff/  
Student Ratio** 28:1

**Number of Graduates  
since inception:** 1349

**Percent of Low  
Income Students:** 93.7%

**Source: School Records**

## Towpath Trail High School Principal Employers

Principal Employers Current Year and Nine Years Ago						
Employer	2012			2003		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
Summa Health System	11,000	1	4.20%			
Akron General Health System	3,971	2	1.52%			
Summit County	3,122	3	1.19%			
Goodyear Tire & Rubber Con	3,000	4	1.15%			
Akron Public Schools	2,827	5	1.08%			
Akron Children's Hospital	2,681	6	1.02%			
University of Akron	2,627	7	1.00%			
FirstEnergy Corp.	2,521	8	0.96%			
Time Warner Cable NEO	2,440	9	0.93%			
Sterling Jewlers Inc.	2,298	10	0.88%			
Summa Health System				3,800	1	1.43%
Akron General Health System				2,782	2	1.05%
County of Summit, Ohio				3,471	3	1.30%
Goodyear Tire & Rubber Company				4,700	4	1.77%
Akron City School District				3,000	5	1.13%
The University of Akron				3,018	6	1.13%
City of Akron				2,746	7	1.03%
Chrysler Corporation, Stamping Plant				2,575	8	0.97%
Kent State University				2,443	9	0.92%
Acme & Acme Express				2,000	10	0.75%
Total Employees	<u>36,487</u>		<u>13.93%</u>	<u>30,535</u>		<u>11.47%</u>

# Towpath Trail High School

## Summit County, Ohio

*Reports Issued Pursuant to  
Government Auditing Standards*

For the Fiscal Year Ended  
June 30, 2013

**Towpath Trail High School  
Summit County, Ohio**

***Reports Issued Pursuant to Government Auditing Standards***

***June 30, 2013***

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December 31, 2013

To the Board of Directors  
Towpath Trail High School  
Summit County, Ohio  
275 W. Market Street  
Akron, OH 44308

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Towpath Trail High School, Summit County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 31, 2013.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Medina, Ohio

December 31, 2013

To the Board of Directors  
Towpath Trail High School  
Summit County, Ohio  
275 W. Market Street  
Akron, OH 44308

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Towpath Trail High School, Summit County, Ohio (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted its anti-harassment policy at its meeting on October 28, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*

Medina, Ohio

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# Dave Yost • Auditor of State

**TOWPATH TRAIL HIGH SCHOOL**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 6, 2014**