

Towpath Trail High School

Summit County, Ohio

*Reports Issued Pursuant to
Government Auditing Standards*

For the Fiscal Year Ended
June 30, 2014



Dave Yost • Auditor of State

Board of Directors
Towpath Trail High School
275 W. Market Street
Akron, OH 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, 2013 through June 30, 2014. 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

April 1, 2015

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

Reports Issued Pursuant to Government Auditing Standards

June 30, 2014

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December 31, 2014

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 Towpath Trail High School, Summit County, Ohio (the School), as of and for the year ended June 30, 2014, 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, 2014.

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

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014



Towpath Trail High School

Akron, Ohio

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**Towpath Trail High School
Akron, Ohio**

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2014**

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

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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Introductory Section

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December 31, 2014

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 (the School) for the fiscal year ended June 30, 2014. 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, 2014 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 2014 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 43 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). 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 fifteenth-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 3 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 \$18,000 in average per pupil funding from all sources whereas the School (which is also located in the City of Akron) receives only \$10,922 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 238 full-time equivalent students for fiscal year 2014. 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

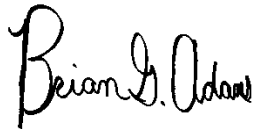
The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Towpath Trail High School for its CAFR for the year ended June 30, 2013. The School has received the award annually since 2004. The School 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.

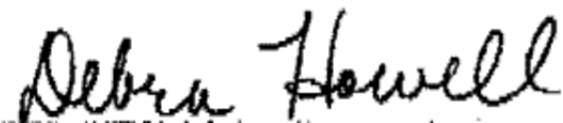
The Comprehensive Annual Financial Report was prepared by the fiscal management team for the School. Their commitment to this process has helped to make this report possible. We would also like to thank Ms. Howell and other members of the Board of Directors and Finance Committee for their support in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



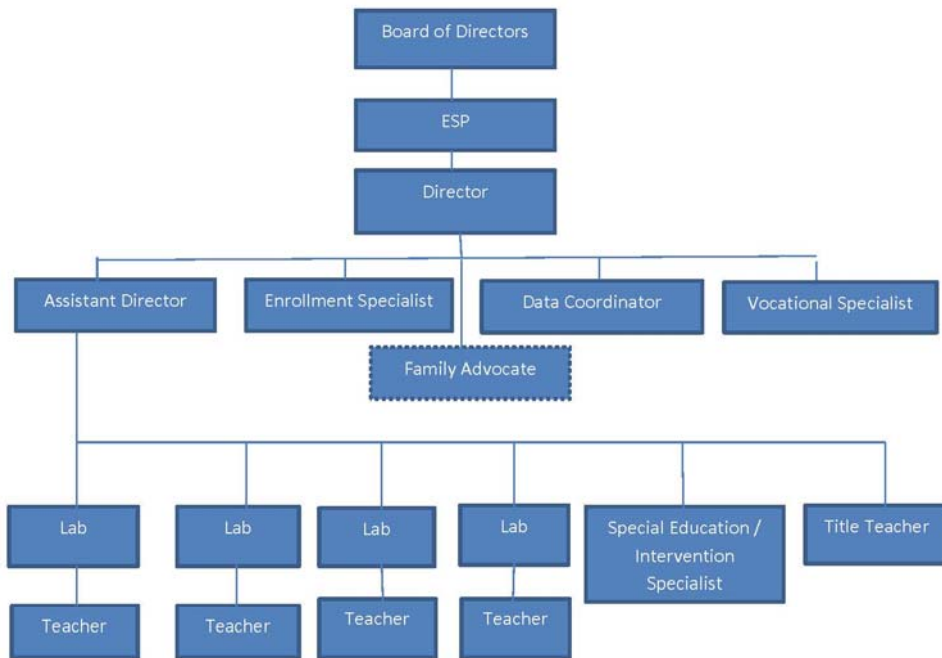
Brian G. Adams MBA, CMA, CFM, CGFM
Fiscal Officer/Internal Auditor
Towpath Trail High School



Debra Howell
President, Board of Directors
Towpath Trail High School

Towpath Trail High School
Board of Directors
June 30, 2014

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

**Towpath Trail High School
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

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December 31, 2014

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 Towpath Trail High School, Summit County, Ohio (the "School") as of and for the year ended June 30, 2014, 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 financial position of the School as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2014 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, 2014
(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, 2014. 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 \$714,562, which represents a 278.4 percent from 2013. This increase is due to increase in state aid from increased enrollment.
- Total assets increased \$731,667, which represents a 200 percent increase from 2013. This was primarily due to an increase in cash and grants receivable from the previous year.
- Liabilities increased \$17,105 which represents a 15.7 percent increase from 2013. The increase in liabilities is due to an increase in continuing fee payables offset by decreases 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 2014. 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, 2014
(Unaudited)**

Table 1 provides a summary of the School's Net Position for fiscal years 2014 and 2013.

(Table 1)
Statement of Net Position

	2014	2013
Assets		
Current Assets	\$1,078,497	\$ 339,215
Non-Current Assets	11,000	11,000
Capital Assets, Net	7,952	15,567
Total Assets	1,097,449	365,782
Liabilities		
Current Liabilities	126,210	109,105
Net Position		
Investment in Capital Assets	7,952	15,567
Unrestricted	963,287	241,110
Total Net Position	\$ 971,239	\$ 256,677

Total assets increased \$731,667, which represents a 200 percent increase from 2013. This was primarily due to increase in cash (due to better management of costs) and grant receivables from the previous year. Liabilities increased \$17,105 which represents a 15.7 percent increase from 2013. The increase in liabilities is due to an increase in continuing fees payables.

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal years 2014 and 2013, 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, 2014
(Unaudited)**

(Table 2)
Change in Net Position

	2014	2013
Operating Revenue		
State Aid	\$ 2,266,289	\$ 1,361,807
Casino Aid	11,791	3,306
Facilities Aid	21,938	-
Non-Operating Revenue		
Grants	297,657	187,903
Miscellaneous	1,013	2,736
Interest Income	737	99
Total Revenues	2,599,425	1,555,851
Operating Expense		
Purchased Services: Salaries and Benefits	666,995	542,993
Purchased Services: Management Fees	409,968	217,848
Instructional Services	53,342	46,125
Sponsorship Fees	67,989	40,747
Legal	45,131	34,959
Auditing and Accounting	31,385	37,647
Other Professional Services	163,790	158,738
Other Purchased Services	282,728	295,601
Supplies	129,750	83,442
Depreciation	3,834	3,936
Other Operating Expenses	15,386	21,198
Non-Operating Expenses		
Loss on Disposition of Assets	716	-
Interest and Fiscal Charges	13,849	932
Total Expenses	1,884,863	1,484,166
Change in Net Position	\$ 714,562	\$ 71,685

The primary reason for the increase in overall revenues from 2013 is due to an increase in enrollment and federal grant revenues. The School's most significant expenses, "Purchased Services- Management Fees" increased as well because of the management agreement in place between the School and its 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 8)

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(Unaudited)**

Capital Assets

At the end of fiscal year 2014 the School had \$7,952, invested in Leasehold Improvements which represented a decrease of \$7,615 from 2013. 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>2014</u>	<u>2013</u>
Leasehold Improvements	\$ 7,952	\$ 10,662
Furniture and Equipment	-	\$ 4,905
Total Capital Assets, Net	<u>\$ 7,952</u>	<u>\$ 15,567</u>

For more information on capital assets, see Note 6 in the Notes to the Basic Financial Statements.

Current Financial Issues

The Towpath Trail High School received revenue for 238 students in 2014 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 \$9,664 in fiscal year 2014. The School receives additional revenues from grant subsidies.

In June 2013, the School contracted with Saint Aloysius Orphanage (SAO) to be its Sponsor. The term of the contract is from July 1, 2013 through June 30, 2015. SAO will be paid Three Percent (3%) for 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.

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

**STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 999,956
Grants Funding Receivable	76,435
Receivable From School	<u>2,106</u>

Total Current Assets 1,078,497

Noncurrent Assets

Leasehold Deposits	11,000
Depreciable Capital Assets, net	<u>7,952</u>

Total Non-Current Assets 18,952

Total Assets 1,097,449

LIABILITIES

Current Liabilities

Accounts Payable	20,573
Grants Funding Payable	29,452
Continuing Fees Payable	74,368
Retirement System Payable	<u>1,817</u>

Total Current Liabilities 126,210

Total Liabilities 126,210

NET POSITION

Investment in Capital Assets	7,952
Unrestricted	<u>963,287</u>

Total Net Position \$ 971,239

See accompanying notes to the basic financial statements

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

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

OPERATING REVENUES

State Aid	\$2,266,289
Casino Aid	11,791
Facilities Aid	<u>21,938</u>

Total Operating Revenues 2,300,018

OPERATING EXPENSES

Purchased Services: Salaries and Benefits	666,995
Purchased Services: Management Fees	409,968
Instructional Services	53,342
Sponsorship Fees	67,989
Legal	45,131
Auditing and Accounting	31,385
Other Professional Services	163,790
Other Purchased Services	282,728
Supplies	129,750
Depreciation	3,834
Other Operating Expenses	<u>15,386</u>

Total Operating Expenses 1,870,298

Operating Income 429,720

NON-OPERATING REVENUE/(EXPENSES)

Grants	297,657
Interest and Fiscal Charges	(13,849)
Loss on Sale of Assets	(716)
Miscellaneous	1,013
Interest Income	<u>737</u>

Total Non-Operating Revenue/(Expenses) 284,842

Change in Net Position 714,562

Net Position Beginning of Year 256,677

Net Position End of Year \$ 971,239

See accompanying notes to the basic financial statements

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

**STATEMENT OF CASH FLOWS
JUNE 30, 2014**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES

Cash Received from State of Ohio	\$2,300,018
Cash Payments to Suppliers for Goods and Services	<u>(1,831,408)</u>
Net Cash Provided By Operating Activities	<u>468,610</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous Cash Receipts	1,013
Proceeds from Short Term Loans	374,000
Principal Payments for Short Term Loans	(374,000)
Cash Received from Grant Programs	<u>275,147</u>
Net Cash Provided by Noncapital Financing Activities	<u>276,160</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Payments for Interest and Fiscal Charges	(13,849)
Cash Payments for Principal Payments on Capital Lease	<u>(1,733)</u>
Net Cash Used For Capital Financing Activities	<u>(15,582)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest on Investments	<u>737</u>
--	------------

Net Increase in Cash and Cash Equivalents 726,144

Cash and Cash Equivalents Beginning of Year 273,812

Cash and Cash Equivalents End of Year \$ 999,956

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

Operating Income \$ 429,720

**ADJUSTMENTS TO RECONCILE OPERATING IINCOME TO
NET CASH USED FOR OPERATING ACTIVITIES**

Depreciation	3,834
Loss on Disposal of Assets	3,781
Changes in Assets and Liabilities:	
Receivable From School	(1,676)
Accounts Payable	(25,508)
Continuing Fee Payable	45,593
Retirement System Payable	<u>12,866</u>

Net Cash Provided By Operating Activities \$ 468,610

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, 2014**

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 8 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, 2013 through June 30, 2015.

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 238 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, 2014
(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 deferred outflows of resources and all liabilities and deferred inflows or resources 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 2014. 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, 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 2014, 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, 2014.

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, Facility and Casino 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, 2014
(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 2014 school year totaled \$2,597,675.

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 \$7,952. 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 investment in capital assets, net of accumulated depreciation 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, Facility, 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, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all School deposits was \$999,890 and its bank balance was \$1,037,661. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$787,661 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 2014, the School and public depositories complied with the provisions of these statutes.

B. Investments

As of June 30, 2014, 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	\$66	\$66	\$ -	\$ -

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, 2014, is 51 days.

Credit Risk: The School's investments at June 30, 2014 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, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent to Total</u>
STAROhio	\$66	100.00

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

4. GRANTS FUNDING RECEIVABLE/PAYABLE

The School has recorded "Grants Funding Receivable" in the amount of \$76,435 to account for the remainder of State and Federal awards allocated to the School, but not received as of June 30, 2014.

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, 2014 for fiscal year 2012, until a final reconciliation is performed.

5. CONTINUING FEES PAYABLE

Under the terms of the management agreement with Midwest Education Partners, dba Cambridge Education Partners, (see note 8) a related "Continuing Fees Payable" in the amount of \$74,368 has been recorded by the School for any State and Federal monies unpaid to Cambridge as of June 30, 2014.

6. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2014, the School's capital assets consisted of the following:

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>06/30/14</u>
Capital Assets Being Depreciated				
Leasehold Improvements	\$ 66,072	\$ -	\$ -	\$ 66,072
Furniture and Equipment	17,960	-	(6,131)	11,829
Computers and Software	<u>21,336</u>	-	-	<u>21,336</u>
Total Capital Assets Being Depreciated	<u>105,368</u>	-	<u>(6,131)</u>	<u>99,237</u>
Less Accumulated Depreciation				
Leasehold Improvements	(55,410)	(2,710)	-	(58,120)
Furniture and Equipment	(13,055)	(1,124)	2,350	(11,829)
Computers and Software	<u>(21,336)</u>	-	-	<u>(21,336)</u>
Total Accumulated Depreciation	<u>(89,801)</u>	<u>(3,834)</u>	<u>2,350</u>	<u>(91,285)</u>
Net Total Capital Assets	<u>\$ 15,567</u>	<u>\$ (3,834)</u>	<u>\$ (3,781)</u>	<u>\$ 7,952</u>

7. 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 8). 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, 2014
(Continued)**

8. 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, 2014, to CEG of \$1,076,963, with Payables to CEG at June 30, 2014 aggregating \$74,368. 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.

9. 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 8)

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 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, 2014, 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, 2014, 2013, and 2012 were \$15,964, \$10,657, and \$9,292, 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, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2014, plan members were required to contribute 11 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 2013, 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 11 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, 2014, 2013, and 2012 were \$60,208, \$54,372, and \$55,558, respectively, of which 100% has been contributed. .

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

9. 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, 2014, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

10. 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 2014, the actuarial required allocation is .74 percent. WHLS contributions for the years ended June 30, 2014, 2013, and 2012 were \$855, \$604, and \$549, 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, 2014, 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, 2014
(Continued)**

10. 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, 2014, 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, 2014, 2013, and 2012 were \$1,933, \$1,438, and \$402, 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 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 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 2014, 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, 2014, 2013, and 2012, were \$4,631, \$4,182, and \$4,274, respectively, all of which has been contributed for all fiscal years.

11. CONTINGENCIES

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, 2014
(Continued)**

11. 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 2014 are immaterial and will be included in the financial activity for fiscal year 2015.

12. SPONSORSHIP FEES

In June 2013, the School contracted with Saint Aloysius Orphanage (SAO) to be its Sponsor. The term of the contract is from July 1, 2013 through June 30, 2015. SAO will be paid Three Percent (3%) for the contractual period. The Sponsor provides oversight, monitoring, and technical assistance for the School. Total fees paid to the Sponsor were \$67,989.

13. TAX EXEMPT STATUS

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

14. RECEIVABLES FROM SCHOOLS

The School shares costs for certain professional services with other CEG Schools. As of June 30, 2014, the School has \$2,106 due from other schools (receivable) for various payments made for these services.

15. 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 2014 were \$132,350.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

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 \$1,733 in principal and \$739 in interest for the fiscal year ended June 30, 2014. During 2014, the equipment was returned for remainder of lease.

19. SHORT TERM OBLIGATIONS

A summary of long-term obligation for the school at June 30, 2014, is as follows:

Charter School Capital - In February 2014, the school entered into an agreement with Charter School Capital to borrow against its future foundation payments. The amount borrowed was \$374,000. With a balance due \$0 at June 30, 2014. The terms of the loan are amounts borrowed are to be repaid over the course of the next three, months. Total interest paid was \$13,110. The imputed interest rate is 18% per annum. Principal payments made during the year totaled \$374,000.

	Principal Outstanding			Principal Outstanding
	6/30/2013	Additions	Reductions	6/30/2014
Charter School Capital	\$ -	\$ 374,000	\$ 374,000	-

20. CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the School has implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the School.

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Statistical Section

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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 – Source: Resident County's annual financial report.

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

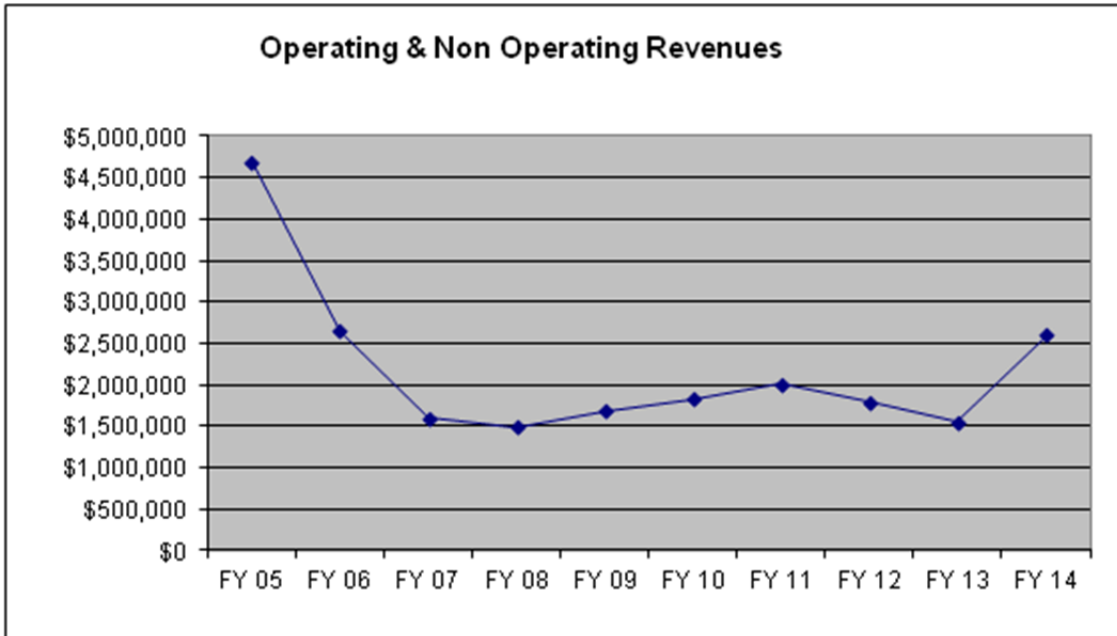
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Purchased Services Management Fees	\$ 409,968	\$ 217,848	\$1,360,960	\$1,376,910	\$1,324,274	\$1,429,900	\$1,247,552	\$1,296,936	\$2,322,855	\$4,255,602
Purchased Services Salaries and Benefits	\$ 666,995	\$ 542,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchased Services Grant Programs	\$ -	\$ -	\$ 234,597	\$ 548,219	\$ 426,273	\$ 171,507	\$ 161,992	\$ 207,677	\$ 212,713	\$ 300,594
Other Purchased Services	\$ 336,070	\$ 295,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies, Furniture & Fixtures	\$ 129,750	\$ 83,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sponsor Fees	\$ 67,989	\$ 40,747	\$ 43,254	\$ 43,170	\$ 6,974	\$ 7,523	\$ 6,561	\$ 7,111	\$ 12,008	\$ -
Legal & Professional	\$ 208,921	\$ 239,822	\$ 183,332	\$ 46,284	\$ 29,953	\$ 17,980	\$ 16,844	\$ 30,074	\$ 23,702	\$ 31,871
Insurance	\$ -	\$ -	\$ 1,314	\$ 1,339	\$ 1,322	\$ 1,492	\$ 1,390	\$ 1,390	\$ 6,625	\$ 2,552
Auditing & Accounting	\$ 31,385	\$ 37,647	\$ 30,463	\$ 24,785	\$ 27,249	\$ 24,822	\$ 21,831	\$ 21,162	\$ 11,327	\$ 5,221
Board of Education	\$ -	\$ -	\$ 18,944	\$ 4,848	\$ 4,641	\$ 2,246	\$ 488	\$ 32,415	\$ 11,629	\$ 21,686
Depreciation & Other	\$ 19,220	\$ 25,134	\$ 153,875	\$ 4,704	\$ 7,024	\$ 3,123	\$ 2,059	\$ 4,077	\$ 14,811	\$ 10,943
Total	\$1,870,298	\$1,483,234	\$2,026,739	\$2,050,259	\$1,827,710	\$1,658,593	\$1,458,717	\$1,600,842	\$2,615,670	\$4,628,469

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 Aid</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
2014	\$2,300,018	\$297,657	\$ 1,750	\$2,599,425
2013	\$1,365,113	\$187,903	\$ 2,835	\$1,555,851
2012	\$1,441,109	\$348,317	\$ 1,652	\$1,791,078
2011	\$1,449,379	\$562,341	\$ 136	\$2,011,856
2010	\$1,394,767	\$426,593	\$ 5,067	\$1,826,427
2009	\$1,504,526	\$171,507	\$ 7,229	\$1,683,262
2008	\$1,312,122	\$161,992	\$19,313	\$1,493,427
2007	\$1,365,196	\$207,677	\$25,622	\$1,598,495
2006	\$2,419,767	\$212,713	\$23,445	\$2,655,925
2005	\$4,387,218	\$300,594	\$ 9,359	\$4,697,171

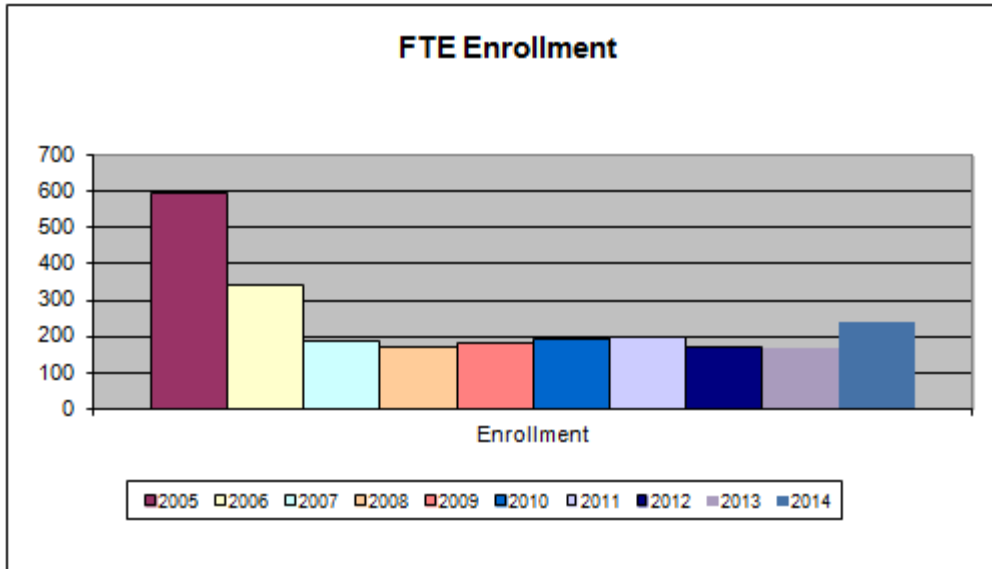


Note: The School began enrolling students in FY 00.

Source: School Financial Records

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

<u>Year</u>	<u>Enrollment</u>
2014	238
2013	165
2012	173
2011	197
2010	192
2009	183
2008	169
2007	189
2006	343
2005	593

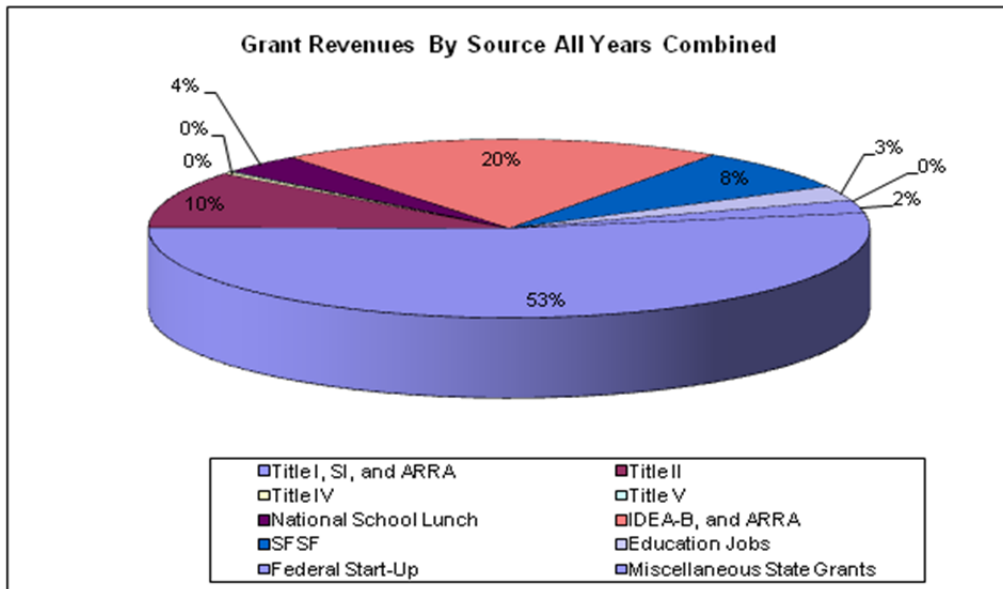


Note: The School began enrolling students in FY 00.

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	National School Lunch Program	IDEA-B	State Stabilization	Education Jobs	Misc State Grants	Total
2014	\$199,612	\$21,502	\$ -	\$ -	\$31,250	\$ 42,959	\$ -	\$ -	\$ 2,334	\$297,657
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

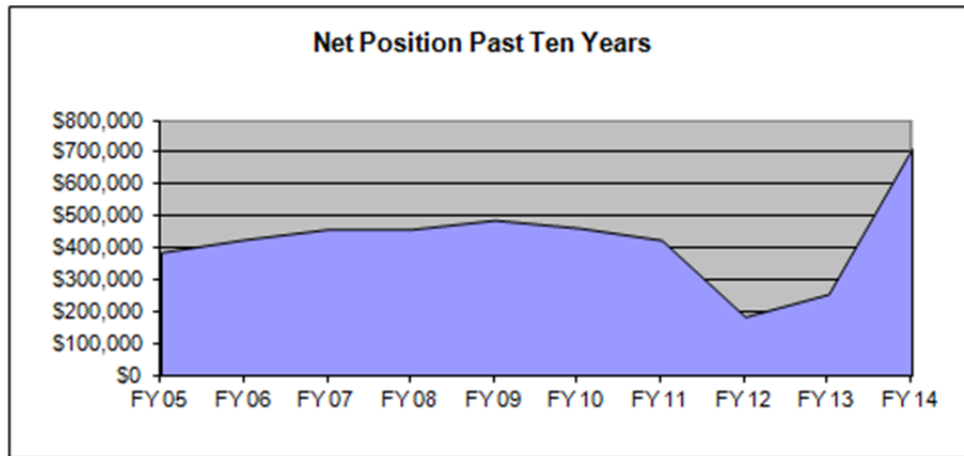


Note: The School began enrolling students in FY 00.

Source: School Financial Records

Towpath Trail High School
Net Position
Last Ten Fiscal Years

Year	Net Investment in Capital Assets	Unrestricted	Total	Change in Net Position
2014	\$ 7,952	\$ 963,287	\$ 971,239	\$ 714,562
2013	\$15,567	\$ 241,110	\$ 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



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

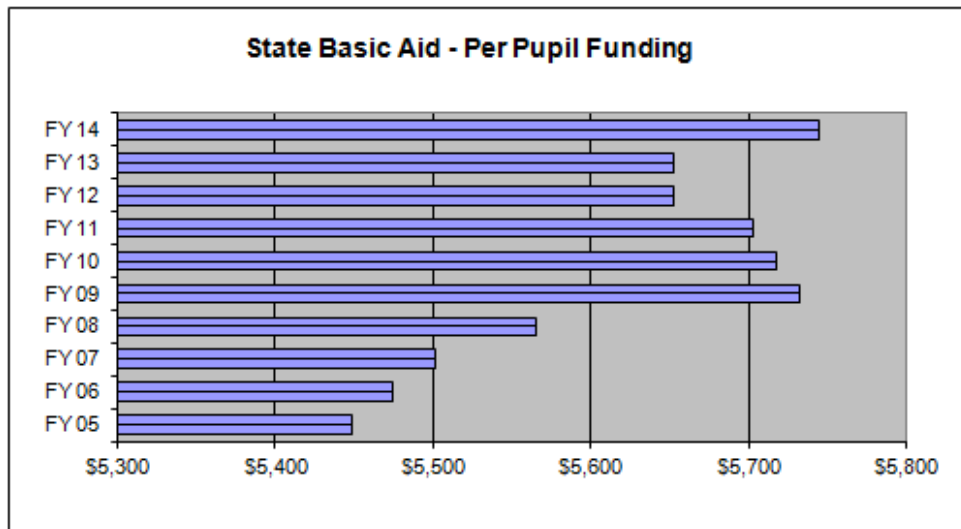
Note 2: FY 03 Net Position were restated during FY 04 as a result of a change in the School's capitalization threshold from \$1,000 to \$5,000.

* 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

Year	Per Pupil Funding	Cost of Doing Business	Total Per Pupil
2014	\$ 5,745	0.0000	\$ 5,745
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



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
2014 Fiscal Year

<u>Resident District</u>	<u>%</u>
Akron	93.50%
Copley-Fairlawn	0.81%
Barberton	1.51%
Cuyahoga Falls	0.98%
Green	0.74%
All Other Districts	2.47%

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

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

Square Footage: 10,900 sq. ft.

Date of Incorporation: 7/28/1999

Instructional Staff: 8

Total FY 14 Staff: 13



Note: All Staff are employees of CEG of Ohio, LLC. See Note 8 in Notes to the Basic Financial Statements.

**Instructional Staff/
Student Ratio** 30:1

**Number of Graduates
since inception:** 1376

**Percent of Low
Income Students:** 96.50%

Source: School Records

Towpath Trail High School Principal Employers

Summit County

Principal Employers
Current Year and Nine Years Ago

Employer	2013			2004		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
Summa Health System	11,000	1	4.23%			
FirstMerit Corp.	4,894	2	1.88%			
Akron General Health System	3,843	3	1.48%			
Akron Children's Hospital	3,220	4	1.24%			
Goodyear Tire & Rubber Company	3,000	5	1.15%			
Summit County	2,969	6	1.14%			
Akron Public Schools	2,827	7	1.09%			
University of Akron	2,622	8	1.01%			
FirstEnergy Corp.	2,500	9	0.96%			
Sterling Jewlers Inc.	2,300	10	0.88%			
Goodyear Tire & Rubber Company				4,700	1	1.76%
Akron General Health System				3,670	2	1.38%
Akron Public Schools				3,500	3	1.31%
City of Akron				2,581	4	0.97%
FirstEnergy Corp.				2,300	5	0.86%
Akron Children's Hospital				2,081	6	0.78%
InfoCision Management Corporation				1,864	7	0.70%
Georgia Pacific Corporation				1,800	8	0.67%
FW Albrecht Grocery Corporation				1,500	9	0.56%
Babcock & Wilcox Company				1,100	10	0.41%
Total Employees	39,175		15.06%	25,096		9.40%
Total Employment within the City	260,300			266,800		



Dave Yost • Auditor of State

LIFE SKILLS CENTER OF 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
MAY 14, 2015**