

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Canton College Preparatory School
1020 Cobblefield St NE
Canton, OH 44721

We have reviewed the *Independent Auditor Report* of the Canton College Preparatory School, Stark County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Canton College Preparatory 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

March 29, 2016

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**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Canton College Preparatory School
Canton, Ohio

Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Canton College Preparatory School, Stark County, Ohio, (the School) as of and for the year ended June 30, 2015, 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 Canton College Preparatory School, Ohio'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 Canton College Preparatory School, Ohio, as of June 30, 2015, and the 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.

Emphasis of Matter

As described in Note 3 to the basic financial statements, the School adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, and restated its net position at June 30, 2014. Also, as described in Note 16 to the basic financial statements, there is substantial doubt about the School's ability to continue as a going concern. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the School's Proportionate Share of the Net Pension Liability, and the Schedules of School Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the Canton College Preparatory School, Ohio'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 Canton College Preparatory School, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA,
President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.31 15:34:50 -05'00'

December 30, 2015

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The discussion and analysis of the Canton College Preparatory School (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2014-15 school year are as follows:

- Total assets decreased by \$12,529.
- Total liabilities increased by \$1,380,812.
- Total Net Position decreased by \$533,616.
- Total operating and non-operating revenues were \$1,926,874. Total operating expenses were \$2,460,490.

USING THIS ANNUAL REPORT

This report consists of four parts: the MD&A, the basic financial statements, notes to those statements, and required Supplementary Information. 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 Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and changes in that position. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

(Continued)

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2015. This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource 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.

Table 1 provides a summary of the School's Net Position for fiscal year 2015 and 2014.

**Table 1
Statement of Net Position**

	2015	Restated 2014
Assets		
Current Assets	\$ 52,701	\$ 15,118
Other Assets	14,243	11,789
Capital Assets, Net	146,197	198,763
Total Assets	<u>213,141</u>	<u>225,670</u>
 Deferred Outflows of Resources	 <u>1,115,297</u>	 <u>62,045</u>
 Liabilities		
Current Liabilities	1,109,308	786,900
Pension Liability	1,058,404	-
Total Liabilities	<u>2,167,712</u>	<u>786,900</u>
 Deferred Inflows of Resources	 <u>193,527</u>	 <u>-</u>
 Net Position		
Net Investment in Capital Assets	146,197	198,763
Unrestricted	(1,178,998)	(697,948)
Total Net Position	<u>\$ (1,032,801)</u>	<u>\$ (499,185)</u>

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from (\$561,230) to (\$499,185). Due to the School's first year of operations being FY14, the restatement does not include net pension liability.

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2015, the School's net position totaled \$(1,032,801).

Current assets represent cash and cash equivalents and accounts receivable. Current liabilities represent accounts payable, accrued expenses, advances payable, and withholdings payable at fiscal year-end.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Statement of Revenues, Expenses and Change in Net Position

Table 2 shows the changes in Net Position for fiscal year 2015, 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.

**Table 2
Change in Net Position**

	2015	2014
Operating Revenue		
State Aid	\$ 1,575,011	\$ 764,696
Other	14,964	5,791
Total Operating Revenues	1,589,975	770,487
 Operating Expenses		
Salaries	806,655	588,386
Fringe Benefits	388,399	106,424
Purchased Services	976,799	584,606
Materials and Supplies	111,639	85,236
Depreciation	114,022	84,689
Other	62,976	13,667
Total Operating Expenses	2,460,490	1,463,008
Operating (Loss)	(870,515)	(692,521)
 Non-Operating Revenues		
Federal Grants	334,799	111,291
Other Intergovernmental Revenues	2,100	20,000
Total Non-Operating Revenues	336,899	131,291
Decrease in Net Position	(533,616)	(561,230)
Net Position – Beginning of the Year, Restated – See Note 3	(499,185)	N/A
Net Position, End of Year	(1,032,801)	(499,185)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$62,045 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense.

Under GASB 68, the 2015 statements report pension expense of \$296,588. Consequently, in order to compare 2015 total operating program expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$ 2,460,490
Pension expense under GASB 68	(296,588)
2015 contractually required contribution	<u>97,909</u>
Adjusted 2015 operating expenses	2,261,811
Total 2014 operating expenses under GASB 27	<u>1,463,008</u>
Increase in operating expenses not related to pension	<u>\$ 798,803</u>

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 (with the exception section 5705.391 – Five Year Forecasts), 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 must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was \$146,197. This balance represents current year additions of \$61,456 offset by current year depreciation of \$114,022. For more information on capital assets, see Note 6 of the Basic Financial Statements.

WORKING CAPITAL ADVANCES

During the fiscal year, the School received working capital monies from Charter School Capital through a receivables purchase agreement. As the School receives monthly State funding, these advances are repaid, however, the School may elect to receive additional advances from Charter School Capital by entering into new agreements. The School also received some advances during the year from other Schools in the I CAN Schools network.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2015, the State raised the base per pupil funding to \$5,800, which is up from \$5,745 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be approximately \$92 per pupil.

The full-time equivalent enrollment of the School for the year ended June 30, 2015 was 182.29 compared to a figure of 102.06 at the end of fiscal year 2014.

Overall, the School will continue to provide learning opportunities and apply resources to best meet the needs of the students served.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 2200 Tuscarawas St E., Canton, Ohio 44707 or e-mail at dave@massasolutionsllc.com.

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**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**Statement of Net Position
At June 30, 2015**

Assets

Current Assets:

Cash and Cash Equivalents	\$	5,098
Accounts Receivable		<u>47,603</u>

Total Current Assets		<u>52,701</u>
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Noncurrent Assets:

Other Assets		14,243
Capital Assets, net		<u>146,197</u>

Total Noncurrent Assets		<u>160,440</u>
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Total Assets	\$	<u>213,141</u>
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Deferred Outflows of Resources		<u>\$ 1,115,297</u>
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Liabilities

Current Liabilities:

Accounts Payable	\$	313,720
Accrued Expenses		35,917
Withholdings Payable		4,571
Advances Payable		692,600
Note Payable – Promissory		<u>62,500</u>

Total Current Liabilities	\$	<u>1,109,308</u>
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Long Term Liabilities:

Net Pension Liability (See Note 10)		<u>1,058,404</u>
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Total Long-Term Liabilities		<u>1,058,404</u>
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Total Liabilities		<u>2,167,712</u>
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Deferred Inflows of Resources		<u>\$ 193,527</u>
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Net Position

Net Investment in Capital Assets		146,197
Unrestricted		<u>(1,178,998)</u>

Total Net Position	\$	<u><u>(1,032,801)</u></u>
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See accompanying notes to the basic financial statements

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**Statement of Revenues,
Expenses and Change in Net Position
For the Year Ended June 30, 2015**

<u>Operating Revenues</u>	
State Aid	\$ 1,575,011
Other	<u>14,964</u>
Total Operating Revenues	1,589,975
<u>Operating Expenses</u>	
Salaries	806,655
Fringe Benefits	388,399
Purchased Services	976,799
Materials and Supplies	111,639
Depreciation	114,022
Other	<u>62,976</u>
Total Operating Expenses	<u>2,460,490</u>
Operating (Loss)	(870,515)
<u>Non-Operating Revenues</u>	
Federal Grants	334,799
Other Intergovernmental Revenues	<u>2,100</u>
Total Non-Operating Revenues	<u>336,899</u>
Change in Net Position	(533,616)
Net Position, Beginning of Year, Restated – See Note 3	<u>(499,185)</u>
Net Position, End of Year	<u><u>\$ (1,032,801)</u></u>

See accompanying notes to the basic financial statements

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015**

<u>Cash Flows from Operating Activities</u>	
Cash Received from State of Ohio	\$ 1,535,135
Cash Received from Other Operating Sources	14,964
Cash Payments to Suppliers for Goods and Services	(970,060)
Cash Payments to Employees for Services	(806,655)
Cash Payments for Employee Benefits	<u>(189,720)</u>
Net Cash (Used for) Operating Activities	(416,336)
<u>Cash Flows from Non-capital Financing Activities</u>	
Cash Received from Federal Grants	334,799
Cash Received from Advances	1,880,192
Cash Payments on Advances	(1,804,092)
Cash Payments on Note Payable	(37,500)
Cash Received from Other Grants	2,100
Cash Received from Note Payable	<u>100,000</u>
Net Cash Provided by Non-capital Financing Activities	475,499
<u>Cash Flows from Capital and Related Financing Activities</u>	
Cash Payments for Capital Acquisitions	<u>(61,456)</u>
Net Cash (Used For) Capital Financing Activities	(61,456)
Net Decrease in Cash and Cash Equivalents	(2,293)
Cash and Cash Equivalents, Beginning of Year	<u>7,391</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,098</u></u>

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015
(Continued)**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH (USED FOR) OPERATING ACTIVITIES**

Operating Loss	\$ (870,515)
Depreciation	114,022
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase)/ Decrease in Accounts Receivable	(39,876)
(Increase)/ Decrease in Other Assets	(2,454)
(Increase)/ Decrease in Deferred Outflows	(1,053,252)
Increase/ (Decrease) in Accounts Payable	154,524
Increase/ (Decrease) in Deferred Inflows	193,527
Increase/ (Decrease) in Net Pension Liability	1,058,404
Increase/ (Decrease) in Accrued Expenses	29,430
Increase/ (Decrease) in Withholding Payable	<u>(146)</u>
Net Cash (Used for) Operating Activities	<u>(416,336)</u>

See accompanying notes to the basic financial statements

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE ENTITY

The Canton College Preparatory School, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with Ohio Council of Community Schools ("OCCS") (the Sponsor) for a five year period commencing on July 1, 2013. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board controls the School's instructional and administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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 Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes Net Position, financial position and cash flows.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

The Governmental Accounting Standards Board requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and 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 is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2015.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

F. Estimates

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

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets and Depreciation

Capital assets are capitalized at cost. Donated Capital Assets are recorded at their fair market values as of the date received. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Capital assets were \$146,197, as of June 30, 2015, net of accumulated depreciation. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Computers & Technology Assets	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years

The School's policy for asset capitalization threshold is \$5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which 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.

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded \$1,575,011 this fiscal year from the Foundation Program and \$336,899 from Federal Grants and other intergovernmental sources.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Operating And Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2015.

Non-operating revenues are those revenues that are not generated directly from the primary activities of the School. Various federal and state grants, interest earnings, if any, and other miscellaneous revenues comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any comprise the non-operating expenses.

J. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of ten days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

K. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable, accrued expenses, advances, notes payable, and withholdings payable totaling \$1,109,308 at June 30, 2015.

L. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

**CANTON COLLEGE PREPARATORY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net Position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. Net Position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

N. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deletions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**CANTON COLLEGE PREPARATORY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSTION

For fiscal year 2015, the School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	(\$561,230)
Adjustments:	
Deferred Outflow - Payments Subsequent to Measurement Date	<u>62,045</u>
Restated Net Position June 30, 2014	<u><u>(\$499,185)</u></u>

Due to the School's operations beginning in FY14, the School made no restatement for net pension liability.

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit, and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2015, the book amount of the School's deposits was \$5,098 and the bank balance was \$7,500.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2015, none of the bank balance was exposed to custodial credit risk.

5. RECEIVABLES

A. Accounts Receivable

The School has accounts receivables totaling \$47,603 at June 30, 2015. These receivables represented monies earned, but not received as of June 30, 2015.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

6. CAPITAL ASSETS

For the period ending June 30, 2015, the School's capital assets consisted of the following:

	<u>Balance 06/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/15</u>
Capital Assets:				
Computers & Technology Assets	\$ 193,577	\$23,000	\$ -	216,577
Furniture, Fixtures, & Equipment	73,453	8,511	-	81,964
Textbooks	16,422	29,945	-	46,367
Total Capital Assets	283,452	61,456	-	344,908
Less Accumulated Depreciation:				
Computers & Technology Assets	(64,526)	(72,193)	-	(136,719)
Furniture, Fixtures, & Equipment	(14,690)	(16,393)	-	(31,083)
Textbooks	(5,473)	(25,436)	-	(30,909)
Total Accumulated Depreciation	(84,689)	(114,022)	-	(198,711)
Capital Assets, Net	\$ 198,763	(52,566)	\$ -	146,197

7. ADVANCES PAYABLE

During the fiscal year ending 2015, the School received advances from Northeast Ohio College Preparatory School, Cleveland College Preparatory School, and University of Cleveland Preparatory School, which are other community schools managed by I CAN Schools. Additionally, during fiscal year 2015, the School received working capital advances from Charter School Capital through a receivables purchase agreement. As the School receives its monthly State funding, these advances are repaid, however, the School may elect to receive future advances from Charter School Capital by entering into additional agreements. The total amount of advances outstanding at June 30, 2015 was \$692,600.

The activity for the year is reflected as follows:

<u>Balance July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2015</u>
<u>\$ 616,500</u>	<u>\$ 1,880,192</u>	<u>\$ 1,804,092</u>	<u>\$ 692,600</u>

**CANTON COLLEGE PREPARATORY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. LONG-TERM and SHORT-TERM OBLIGATIONS

Long-Term Obligations

The changes in the School's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 06/30/14	Additions	Deductions	Principal Outstanding 06/30/15
Net Pension Liability:				
STRS	-	957,894	-	957,894
SERS	-	100,510	-	100,510
Total Net Pension Liability	<u>-</u>	<u>1,058,404</u>	<u>-</u>	<u>1,058,404</u>
 Total Long-Term Obligations	 <u>-</u>	 <u>1,058,404</u>	 <u>-</u>	 <u>1,058,404</u>

Short-Term Obligations

On December 14, 2014, the School entered into a promissory note with the Catholic Diocese of Youngstown for amounts owed in connection with a former lease of a school building (See Note 15). Payments made on the promissory note during the fiscal year totaled \$37,500. At June 30, 2015, there was a balance remaining of \$62,500 which is reflected on the School's Statement of Net Position.

9. RISK MANAGEMENT

A. Property & Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2015, the School contracted with Cincinnati Insurance Company for general liability insurance with a \$1,000,000 each occurrence/ \$2,000,000 annual aggregate, as well as, a \$1,000,000 of automobile liability coverage and an umbrella policy with a \$10,000,000 aggregate limit. The School also had a \$1,000,000 School Leaders policy in place through National Union Fire Insurance.

B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Medical and Dental Benefits

The School provides medical, vision, and dental insurance benefits through Anthem to all full-time employees. During the School year, the School paid 90% of the monthly premiums for all employees.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

10. DEFINED BENEFIT PENSIONS PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – The School's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

B. Plan Description - School Employees Retirement System (SERS) (CONTINUED)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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 statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School's contractually required contribution to SERS was \$13,640 for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

C. Plan Description - State Teachers Retirement System (STRS) (CONTINUED)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**CANTON COLLEGE PREPARATORY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

C. Plan Description - State Teachers Retirement System (STRS) (CONTINUED)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$84,269 for fiscal year 2015. There were no contributions to the DC and Combined Plans for fiscal year 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$100,510	\$957,894	\$1,058,404
Proportion of the Net Pension Liability	0.00198600%	0.00393815%	
Pension Expense	\$27,200	\$269,388	\$296,588

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$855	\$9,222	\$10,077
Change in Net Proportionate Share	94,481	912,830	1,007,311
School contributions subsequent to the measurement date	<u>13,640</u>	<u>84,269</u>	<u>97,909</u>
Total Deferred Outflows of Resources	<u>\$108,976</u>	<u>\$1,006,321</u>	<u>\$1,115,297</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	<u>\$16,313</u>	<u>\$177,214</u>	<u>\$193,527</u>
Total Deferred Inflows of Resources	<u>\$16,313</u>	<u>\$177,214</u>	<u>\$193,527</u>

**CANTON COLLEGE PREPARATORY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (CONTINUED)

\$97,909 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	\$19,755	\$186,209	\$205,964
2017	19,755	186,209	205,964
2018	19,755	186,209	205,964
2019	19,758	186,211	205,969
Total	\$79,023	\$744,838	\$823,861

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

E. Actuarial Assumptions – SERS (CONTINUED)

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CANTON COLLEGE PREPARATORY SCHOOL
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

E. Actuarial Assumptions – SERS (CONTINUED)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$143,399	\$100,510	\$64,437

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

10. DEFINED BENEFIT PENSIONS PLANS (CONTINUED)

F. Actuarial Assumptions – STRS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School's proportionate share of the net pension liability	\$1,371,331	\$957,894	\$608,267

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide 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 than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, and 2014 were \$849, \$831, respectively. For fiscal year 2015 and 2014, 100.00 percent has been contributed.

B. School Teachers Retirement Systems

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. POSTEMPLOYMENT BENEFITS

B. School Teachers Retirement System

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, and 2014 were \$0 and \$4,426 respectively. The full amount has been contributed for fiscal years 2015 and 2014.

12. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of 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.

B. Litigation

There are currently no matters in litigation with the School as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As of the date of this report ODE has finalized two adjustments to the June 30, 2015 Foundation funding for the School. The first adjustment was recorded as accounts receivable of \$35,536 and the second adjustment was recorded as accrued expenses of \$18,708.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

13. SPONSOR AND MANAGEMENT CONTRACTS

Sponsor

The School contracted with Ohio Council of Community Schools (OCCS) as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2015, the total sponsorship fees paid totaled \$44,649.

Management Company

The School entered into an agreement with I CAN Schools, a local nonprofit management company, to provide legal, financial, and other management support services for fiscal year 2015. The agreement was for a period of five years beginning July 1, 2013. Management fees are calculated as 18% of the total revenues received from the State of Ohio. The total amount due from the School for the fiscal year ending June 30, 2015 was \$348,378 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Changes in Net Position.

14. PURCHASED SERVICES

For the period of July 1, 2014 through June 30, 2015, the School made the following purchased services commitments.

Professional and Technical Services	\$ 503,203
Property Services	255,058
Travel and Meetings	2,290
Utilities	15,317
Communications	5,670
Contractual Trade Services	129,042
Pupil Transportation	66,219
	<hr/>
	\$ 976,799

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

15. LEASE OBLIGATIONS

On November 29, 2012, the School entered into a lease with the Catholic Diocese of Youngstown for space located at 2200 Tuscarawas Street E., Canton Oh 44707. The term of the lease was for a period of five years from May 1, 2013 through June 30, 2018. This lease was terminated early by the School to relocate to a larger location. As compensation for terminating the lease early the School entered into a \$100,000 promissory note with the Catholic Diocese of Youngstown. On July 23, 2014 the School entered into a new lease with Tri-State Central Canton Limited Partnership for space located at 101 Cleveland Avenue, Canton, Ohio 44702. The term of the new lease is for a period of 151 month from January 1, 2015 through July 31, 2027. Base rent expense for the fiscal year ended 2015 was \$144,000. Future lease obligations are as follows:

FY2016	\$157,328
FY2017	\$178,494
FY2018	\$195,498
FY2019	\$212,502
FY2020	\$229,500
FY2021	\$246,498
FY2022	\$262,500
FY2023	\$273,000
FY2024	\$276,000
FY2025	\$279,000
FY2026	\$282,000
FY2027	\$282,000
Total	<u>\$ 2,874,320</u>

16. DEFICIT FUND BALANCE AND MANAGEMENT'S PLAN

The School's Net Position at June 30, 2015 was (\$1,032,801). This was due to the fact that the School's current liabilities exceeded its available assets to meet those obligations and the implementation of GASB 68. The Board remains committed to the success of the School both academically and financially and is focused on overcoming this deficit through increases in student enrollment. As of December 2015, the School's enrollment was up by approximately 47 students.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYER'S RETIREMENT SYSTEM OF OHIO
LAST FISCAL YEAR (1)**

	<u>2014</u>
School's Proportion of the Net Pension Liability	0.001986%
School's Proportionate Share of the Net Pension Liability	\$ 100,510
School's Covered-Employee Payroll	\$ 41,219
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	243.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%

(1) Information prior to 2014 is not available due to the School beginning operations in the FY14,

Amounts presented as of the School's measurement date
which is the prior fiscal year end.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL TEACHER'S RETIREMENT SYSTEM OF OHIO
LAST FISCAL YEAR (1)**

	2014
School's Proportion of the Net Pension Liability	0.00393815%
School's Proportionate Share of the Net Pension Liability	\$ 957,894
School's Covered-Employee Payroll	\$ 433,323
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%

(1) Information prior to 2014 is not available due to the School beginning operations in the FY14,

Amounts presented as of the School's measurement date
which is the prior fiscal year end.

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL EMPLOYER'S RETIREMENT SYSTEM OF OHIO
LAST FISCAL YEAR (1)**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 13,640	\$ 5,713
Contributions in Relation to the Contractually Required Contribution	<u>\$ (13,640)</u>	<u>\$ (5,713)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 103,492	\$ 41,219
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%

(1) Information prior to 2014 is not available due to the School beginning operations in the FY14,

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL TEACHER'S RETIREMENT SYSTEM OF OHIO
LAST FISCAL YEAR (1)**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 84,269	\$ 56,332
Contributions in Relation to the Contractually Required Contribution	<u>\$ (84,269)</u>	<u>\$ (56,332)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 601,921	\$ 433,323
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%

(1) Information prior to 2014 is not available due to the School beginning operations in the FY14,

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Certified Public Accountants
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**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**

To the Members of the Board
Canton College Preparatory School
Canton, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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 Canton College Preparatory School, Stark County, Ohio, (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Canton College Preparatory School, Ohio's basic financial statements and have issued our report thereon dated December 30, 2015, wherein we noted that the School adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at June 30, 2014. We also noted that there is substantial doubt about the School's ability to continue as a going concern.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Canton College Preparatory School, Ohio'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 Canton College Preparatory School, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Canton College Preparatory School, Ohio's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Canton College Preparatory School, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,

CPA, President

James G. Zupka, CPA, Inc.

Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.31 15:35:52 -05'00'

December 30, 2015

**CANTON COLLEGE PREPARATORY SCHOOL
STARK COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015**

The prior audit report, as of June 30, 2014, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

CANTON COLLEGE PREPARATORY SCHOOL

STARK 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
APRIL 12, 2016**