Bridges Community Academy

Seneca County, Ohio

Regular Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009

BALESTRA, HARR & SCHERER, CPAs, Inc.
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Mary Taylor, CPA
Auditor of State

Board of Education
Bridges Community Academy
190 Saint Francis Avenue
Tiffin, Ohio 44883

We have reviewed the *Independent Auditor's Report* of the Bridges Community Academy, Seneca County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Bridges Community Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 23, 2010

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Bridges Community Academy
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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

Bridges Community Academy
Seneca County, Ohio
190 Saint Francis Avenue
Tiffin, Ohio 44883

We have audited the financial statements of the business-type activities of the Bridges Community Academy (the Academy), as of and for the year ended June 30, 2009, which comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Academy, as of June 30, 2009, and the respective changes in financial position and cash flows there of, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2009, on our consideration of the Academy'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2009

Our discussion and analysis of the Bridges Community Academy's (the Academy's) financial performance provides and overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy'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 Academy'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 Government 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

- The Academy is able to report positive net assets in all categories at June 30, 2009. Total net assets at fiscal yearend were $74,395 compared with $16,187 reported in 2008, an increase of $58,208. Of that amount, the unrestricted net asset balance was a positive $27,814 at June 30, 2009 compared with a deficit of $(65,649) reported in 2008.

- In fiscal year 2009, total revenues increased by $118,706 over those reported in the prior year. Academy enrollment increased by 22 students from the prior year resulting in an increase in foundation receipts.

- Total assets for fiscal year 2009 were $207,760, an increase of $46,745 over the prior year.

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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

One of the most important questions asked about the Academy's finances is, "Is the Academy better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Academy as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations.

All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

A comparative analysis of fiscal year 2009 and 2008 follows:

Net Assets

	2009	2008
Current Assets	$ 161,179	$ 79,179
Capital Assets, Net	46,581	81,836
Total Assets	207,760	161,015
Current Liabilities	133,365	144,828
Total Liabilities	133,365	144,828
Net Assets:		
Invested in Capital Assets, net of debt	46,581	81,836
Unrestricted	27,814	(65,649)
Total Net Assets	$ 74,395	$ 16,187

The largest portion of the Academy's net assets reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Academy uses capital assets to provide services; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets of the Academy increased $93,463. Enrollment at the Academy increased by 22 students resulting in increased foundation revenue. Due to this increase, the Academy can report positive unrestricted net assets of $27,814 at fiscal yearend compared to a deficit of $(65,649) reported in 2008.

Current assets increased $82,000 from the prior year due to increased cash and investments on hand at year end. Having healthy positive cash balance allows management to make necessary emergency expenditures if necessary.

Changes in Net Assets

	2009	2008
Operating Revenues		
Foundation payments	$1,200,733	$1,066,472
Other Operating Revenues	13,984	32,800
Non-Operating Revenues:		
Investment Earnings	55	1,729
State subsidies	5,000	5,000
Federal subsidies	50,787	45,852
Total Revenues	1,270,559	1,151,853
Operating Expenses:		
Salaries & Wages	619,733	651,355
Fringe Benefits	273,620	282,994
Purchased Services	215,191	251,146
Materials & Supplies	61,909	27,773
Depreciation	35,255	31,600
Miscellaneous	6,643	19,724
Total Expenses	1,212,351	1,264,592
Change in Net Assets	$ 58,208	$ (112,739)

The Academy's increase in revenue is related to increased enrollment creating increased state foundation revenue of $134,261 from the prior year. Total expenditures decreased $52,241 from the prior year. Total staff members were reduced by 3 for 2009 creating a decrease in wage and benefit expenditures of $40,996 as compared to 2008.

Capital Assets

The Academy has $46,581 invested in capital assets net of depreciation. There were no additions to capital assets during fiscal year 2009. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 4).

Restrictions and Other Limitations

The future financial stability of the Academy is not without challenges.

The current major challenge is the state economy. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. The current economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Dona Kaufman, Director at Bridges Community Academy, 190 St. Francis Avenue, Tiffin, Ohio 44883.

Bridges Community Academy
Seneca County
Statement of Net Assets
as of June 30, 2009

Assets		
Current Assets		
Cash and Investments	$	161,179
Total Current Assets		161,179
Non-Current Assets		
Fixed assets (Net of Accumulated Depreciation)		46,581
Total Assets	$	207,760
Liabilities		
Current Liabilities		
Accounts Payable	$	1,133
Accrued Wages & Benefits		91,250
Intergovernmental Payable		40,982
Total Current Liabilities		133,365
Total Liabilities		133,365
Net Assets		
Invested in Capital Assets, Net of related Debt		46,581
Unrestricted		27,814
Total Net Assets		74,395

The accompanying Notes are an integral part of the Financial Statements

Bridges Community Academy
Seneca County
Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Fiscal Year ended June 30, 2009

Operating Revenues	
Foundation Payments	1,200,733
Other Operating Revenues	13,984
Total Operating Revenues	1,214,717
Operating Expenses	
Salaries & Wages	619,733
Fringe Benefits	273,620
Purchased Services	215,191
Materials & Supplies	61,909
Depreciation	35,255
Miscellaneous	6,643
Total Operating Expenses	1,212,351
Operating Income	2,366
Non-Operating Revenues and (Expenses)	
Interest Earnings	55
State subsidies	5,000
Federal subsidies	50,787
Total Non-Operating Revenues and (Expenses)	55,842
Net Income	58,208
Net Assets Beginning of Year	16,187
Net Assets End of Year	$ 74,395

The accompanying Notes are an integral part of the Financial Statements

Bridges Community Academy
Seneca County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2009

Cash Flows from Operating Activities	
Cash received from Foundation Payments	1,200,733
Cash received from Other Operating Revenues	14,109
Cash payments for personal services	(900,424)
Cash payments for contract services	(219,583)
Cash payments for supplies and materials	(61,909)
Cash payments for Miscellaneous	(6,643)
Net Cash Provided By/(Used for) Operating Activities	26,283
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	55,787
Net Cash from Noncapital Financing Activites	55,787
Cash Flows from Investing Activities	
Interest on cash and cash equivalents	55
Net cash from investing activites	55
Net increase in cash and cash equivalents :	82,125
Cash and cash equivalents at beginning of year	79,054
Cash and cash equivalents at end of year	$ 161,179
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities	
Operating Income	2,366
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities	
Depreciation	35,255
Changes in Assets and Liabilities:	
Accounts Receivable	125
Accounts Payable	(4,392)
Accrued Wages and Benefits	(10,192)
Payable to State Pension Systems	3,121
Total Adjustments	23,917
Net cash provided (used) by operating activities	$ 26,283

The accompanying Notes are an integral part of the Financial Statements

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Bridges Community Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of talented and gifted students in kindergarten through twelfth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Seneca East Local School District (the Sponsor) for a period of one year commencing July 1, 2004 and has been renewed annually, with the most recent renewal occurring July 1, 2009. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a nine member Board of Trustees. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees control the Academy's instructional/support facility staffed by 17 certificated personnel and 9 classified staff members who provide services to 179 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy 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 Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy uses enterprise accounting to maintain its financial records during the school year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases and decreases in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a yearly budget process for the Academy.

D. Cash

All monies received by the Academy are pooled and deposited in separate bank accounts in the Academy's name. For internal accounting purposes, the Academy segregates its cash.

E. 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.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives. Improvements to capital assets are depreciated over the remaining useful live of the related capital assets.

Assets	Years
Furniture and Equipment	10
Computer equipment	5

G. Intergovernmental Revenues

The Academy 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 are met.

The Academy also receives various federal and state grants and entitlements which 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 use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to the Academy on a reimbursement basis. Amounts awarded under the above programs for 2009 totaled $1,256,520.

H. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2009, including:

<u>Wages Payable</u> – a liability has been recognized at June 30, 2009 for salary payments made after year-end that were for services rendered in fiscal year 2009.

<u>Intergovernmental Payable</u> – payment for the employer's share of the retirement contribution ($34,478), worker's compensation ($5,432), and Medicare ($1,072) associated with services rendered during fiscal year 2009, but were not paid until the subsequent fiscal year.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS

At June 30, 2009, the carrying amount of all Academy deposits was $161,179. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the Academy's entire bank balance of $160,011 was covered by the Federal Deposit Insurance Corporation and was not subject to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. 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 Academy.

The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy 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 and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2009, follows:

	Balance 7/1/08	Additions	Balance 6/30/09
Capital Assets being depreciated			
Furniture and Equipment	$ 16,143	$ -	$ 16,143
Computer Equipment	167,698		167,698
Total capital assets being depreciated	183,841	-	183,841
Less: Accumulated Depreciation			
Furniture and Equipment	(2,228)	(2,416)	(4,644)
Computer Equipment	(99,777)	(32,839)	(132,616)
Total accumulated depreciation	(102,005)	(35,255)	(137,260)
Net Capital Assets	$ 81,836	$ (35,255)	$ 46,581

5. RISK MANAGEMENT

A. Property and Liability

The Academy 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. For fiscal year 2009, the Academy contracted with Indiana Insurance for property and for general liability insurance. There is a $1,000 deductible for both coverages.

Professional liability is protected by Indiana Insurance with a $1,000,000 single occurrence limit and $2,000,000 aggregate with a $1,000 deductible.

B. Worker's Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy 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. The Retirement Board, acting on advice of an actuary, allocates the employer contribution rate among four of the funds (Pension Trust, Death Benefit, Medicare B, and Health Care Funds) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution is allocated to Health Care and Medicare B Funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $13,813, $19,342, and $18,306 respectively; 100% has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 a 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 DC Plan and the DB 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 of the DC Plan 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, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were $60,811, $71,092, and $63,551, respectively; 82 percent has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

C. Social Security

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, 2009, no employees have elected social security.

7. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was $35,800.

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.

The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $6,321, $8,826 and $8,272 respectively; 100 percent has been contributed for all three fiscal years.

7. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were $1,140, $1,394 and $1,644 respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

Plan Description – The Academy 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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were $4,678, $5,469 and $4,889 respectively; 82 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

8. OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The Academy has contracted with a private carrier to provide employee health, dental, vision and life insurance. The Academy pays 80% of the monthly premiums for the benefits.

9. FISCAL AGENT

The sponsorship contract states that the Academy shall have a designated fiscal officer who shall meet all the requirements as set forth by law including:

- Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State

- Comply with the policies and procedures regarding internal financial control of the Academy

- Comply with the requirements and procedures for financial audits by the Auditor of State

The Academy entered into a contract with Charter School Specialists for fiscal services including school treasurer services, payroll services, and capital asset services. The total expense paid under this contract during fiscal year 2009 totaled $25,025.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the Academy at June 30, 2009.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment date and 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 funding is calculated. The conclusions of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustment for fiscal year 2009 as a result of such review.

11. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$124,390
Property Services	77,407
Communications	1,629
Other Purchased Services	11,765
Total Purchased Services	$ 215,191

12. TAX EXEMPT STATUS

The School has not filed for its tax-exempt status under 501(c)(3) of the Internal Revenue Code, and the Academy has made no provisions for any potential future liability.

13. SUBSEQUENT EVENT

On October 22, 2009 the Academy entered into a business loan agreement with Key Bank for a line of credit in the amount of $20,000. The line carries an annual interest rate of 2.5% over the prime rate (currently at 3.25%), for a total current annual rate of 5.75%. Proceeds are to be used to fund current operations of the Academy.

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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*

Members of the Board
Bridges Community Academy
Seneca County, Ohio
190 Saint Francis Avenue
Tiffin, Ohio 44883

We have audited the accompanying financial statements of the business-type activities of the Bridges Community Academy (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures 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 Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's basic 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*.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 31, 2009

Independent Auditor's Report on Applying Agreed-Upon Procedures

Bridges Community Academy
Seneca County
190 Saint Francis Avenue
Tiffin, Ohio 44883

To the Board of Trustees:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Bridges Community Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on April 24, 2006.

2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)

    1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

    2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;

    3) A procedure for reporting prohibited incidents;

    4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

    5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

    6) A procedure for documenting any prohibited incident that is reported;

7) A procedure for responding to and investigating any reported incident;

8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

10) A requirement that the Academy administration semiannually provide the president of the Academy board a written summary of all reported incidents and post the summary on its web site, if the Academy has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2009

Mary Taylor, CPA
Auditor of State

BRIDGES COMMUNITY ACADEMY

SENECA 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
MARCH 9, 2010

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