



Mary Taylor, CPA
Auditor of State

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Columbus Bilingual Academy
Franklin County
35 Midland Avenue
Columbus, Ohio 43223

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Columbus Bilingual Academy, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Columbus Bilingual Academy, Franklin County, Ohio, as of June 30, 2009, and the changes in its financial position and its cash flows the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School is experiencing certain financial difficulties. Those difficulties and Management's Plan are discussed in Note 15.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 22, 2010

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2009
(UNAUDITED)**

The discussion and analysis of Columbus Bilingual Academy's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

Key financial highlights for the Columbus Bilingual Academy during the period ended June 30, 2009 are as follows:

- Total net assets of the School decreased \$162,620 in fiscal year 2009. Ending net assets of the School were (\$157,130) compared with \$5,490 at June 30, 2008.
- Total assets decreased \$45,070 from the prior year audit and total liabilities increased by \$117,550 from the prior year audit.
- The School's operating loss for fiscal year 2009 was \$367,198 compared with an operating loss of \$217,093 reported for the prior fiscal year.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

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

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2009
(UNAUDITED)**

Table 1 provides a summary of the School's net assets for June 30, 2009 compared to those reported for fiscal year 2008.

Table 1
Net Assets

	2009	2008
Assets:		
Current Assets	\$ 8,808	\$ 17,426
Non-Current Assets	141,355	177,807
Total Assets	150,163	195,233
Liabilities		
Current liabilities	307,293	189,743
Total Liabilities	307,293	189,743
Net Assets:		
Invested in capital assets	141,355	177,807
Restricted	4,187	9,863
Unrestricted	(302,672)	(182,180)
Total Net Assets	\$ (157,130)	\$ 5,490

The total assets of the School decreased by \$45,070, which represents a 23.1 percent decrease, from total assets reported for fiscal year 2008. The decrease was mainly due to depreciation on capital assets.

Total liabilities of the School increased \$117,550 over those reported in fiscal year 2008, mainly due to increases in accounts payable for services supplied by Mangen and Associates and loans payable. The loans were needed for operations. See Note 13.

The total net assets reported for fiscal year 2009 decreased by \$162,620. Unrestricted net assets decreased by \$120,492 to \$(302,672). Restricted net assets decreased by \$5,676. Net assets invested in capital assets, net of related debt, decreased by \$36,452.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2009
(UNAUDITED)**

Table 2 shows the changes in net assets for the period ended June 30, 2009 as compared to changes reported for fiscal year 2008.

Table 2
Change in Net Assets

	2009	2008
Operating Revenues:		
Foundation Payments	\$ 333,294	\$ 636,018
Food Service Revenues	28	-
Non Operating Revenues:		
State and Federal Grants	74,577	85,756
Interest and Fiscal Charges	-	(5,660)
Gain(Loss) on Sale of Assets	-	(19,559)
Loans	88,933	-
Contributions	77,818	-
Other Non-Operating Revenues	-	36,963
Total Revenues	\$ 574,650	\$ 733,518
Operating Expenses:		
Salaries & Wages	\$ 299,275	\$ 354,302
Fringe Benefits	70,580	93,986
Building Rental	28,996	65,592
Contracted Fiscal Services	128,880	-
Other Purchased Services	99,833	224,810
Materials and Supplies	16,789	20,727
Depreciation	36,452	46,706
Other Expenses	19,715	46,988
Non Operating Expenses:		
Loan Principal Payment	36,750	-
Total Expenses	\$ 737,270	\$ 853,111
Change in Net Assets	\$ (162,620)	\$ (119,593)
Net Assets, Beginning of Year	5,490	125,083
Net Assets, End of Year	\$ (157,130)	\$ 5,490

Total revenue decreased \$158,868 for fiscal year 2009 compared with the prior fiscal year, as a result of lower enrollment. Contributions were made to the School by Mangen and Associates, as well as no-interest loans for operations.

Expenses reported for fiscal year 2009 were \$115,841 less than the expenses reported for fiscal year 2008 due to reductions in staff and related expenses.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2009
(UNAUDITED)**

Capital Assets

At the end of June 30, 2009, the School had \$141,355 invested in buildings, leasehold improvements, and furniture, fixtures and equipment. There were no new purchases which met the School's capitalization threshold of \$500 during the year. See Note 5 of the basic financial statements for additional details.

Debt

During FY07, the School entered into a short-term debt agreement with Fifth Third Bank for a line of credit. At June 30, 2009 the School owed \$36,797 on this line of credit.

During FY09, the School borrowed \$88,933 from Mangen & Associates (0% interest loan) for operating expenses.

Budgetary

Unlike other public school located in the State of Ohio, community school are not required to follow the budgetary provisions set forth in the Ohio Review Code Chapter 5705 unless specifically provided in the School's contract with its Sponsor. The School does provide an annual budget in addition to five-year forecasts in October and May of each fiscal year according to its Sponsor agreement.

Current Financial Issues

The future financial stability of the School is not without challenges. However, the significant increase in student enrollment and the 21st Century Grant award of \$200,000 for the 2010 fiscal year has dramatically improved the financial health projections for the School. There will continue to be other challenges outside of the School's control (i.e. - the economy, the state budget). Since the primary source of funding is the state foundation program, an economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Columbus Bilingual Academy and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Columbus Bilingual Academy, 35 Midland Avenue, Columbus, Ohio 43223. Phone 614-324-1492.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 3,544
Intergovernmental Receivables	<u>5,264</u>
Total Current Assets	<u>8,808</u>

NON-CURRENT ASSETS

Capital Assets (Net of Accumulated Depreciation)	<u>141,355</u>
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TOTAL ASSETS

\$ 150,163

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	153,566
Accrued Wages Payable	29,375
Intergovernmental Payable	9,126
Loan Payable (Related Party)	75,888
Line of Credit Payable	36,797
Other Accrued Expenses	<u>2,541</u>

Total Current Liabilities	<u>307,293</u>
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TOTAL LIABILITIES

307,293

NET ASSETS

Invested in Capital Assets, Net of Related Debt	141,355
Restricted	4,187
Unrestricted	<u>(302,672)</u>

TOTAL NET ASSETS

\$ (157,130)

See accompanying notes to the financial statements.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2009**

OPERATING REVENUES:	
Foundation payments	\$ 333,294
Miscellaneous operating revenues	<u>28</u>
Total operating revenues	<u>333,322</u>
OPERATING EXPENSES	
Salaries & Wages	299,275
Fringe Benefits	70,580
Building Rental	28,996
Contracted Fiscal Services	128,880
Other Purchased Services	99,833
Materials and Supplies	16,789
Depreciation	36,452
Other Expenses	<u>19,715</u>
Total operating expenses	<u>700,520</u>
Operating loss	<u>(367,198)</u>
NON-OPERATING REVENUES/EXPENSES	
State and Federal Grant Revenue	74,577
Loans	88,933
Contributions	77,818
Loan Principal Payments	<u>(36,750)</u>
Total non-operating revenues	<u>204,578</u>
Change in net assets	(162,620)
Net assets as beginning of year	<u>5,490</u>
Net assets at end of year	<u><u>\$ (157,130)</u></u>

See accompanying notes to the financial statements.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2009**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$	338,233
Cash Payments to Employees for Services and Benefits		(383,439)
Cash Payments to Suppliers for Goods and Services		(199,875)
Other Operating Expenses		(11,017)
Cash Received from Other Operating Sources		28
Net Cash Used by Operating Activities		<u>(256,070)</u>

Cash Flows from Noncapital Financing Activities

Federal and State Grants		80,765
Loans		88,933
Contributions		130,000
Loan Principal Payments		(36,750)
Interest and Fiscal Services		(3,530)
Other Non-Operating Expenses		(117)
Net Cash Provided by Noncapital Financing Activities		<u>259,301</u>

Net Increase In Cash And Cash Equivalents		3,231
Cash And Cash Equivalents, Beginning Of Year		<u>313</u>
Cash And Cash Equivalents, End Of Year		<u><u>3,544</u></u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating Loss		<u>(367,198)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		36,452
Changes in Assets and Liabilities:		
(Increase)Decrease in Intergovernmental Receivable		11,849
Increase(Decrease) in Accounts Payable		68,588
(Decrease)Increase in Accrued Wages and Benefits		1,641
(Decrease)Increase in Intergovernmental Payable		(7,402)
Total Adjustments		<u>111,128</u>
Net Cash Used by Operating Activities	\$	<u><u>(256,070)</u></u>

See accompanying notes to the financial statements.

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**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. Description of the School and Reporting Entity:

Columbus Bilingual Academy (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 5 through 8. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School had one fiscal service provider during the 2009 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2009 fiscal period. The Educational Resource Consultants of Ohio (ERCO) was the School's sponsor in fiscal year 2009. 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 six-member Board of Trustees (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 population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controlled the School's instructional/support facility staffed by 3 non-certified and 12 certificated full time teaching personnel who provide services to 51 students during the 2008-2009 school year.

The School entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 11.

2. Summary of Significant Accounting Policies:

The 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 School 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 School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. Summary of Significant Accounting Policies: (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) 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 utilized 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 Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. 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.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Furniture, Fixtures, and Equipment	5 years

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. Summary of Significant Accounting Policies: (Continued)

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.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, contributions received from Mangel and Associates, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School.

I. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2009, including:

Wages payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2009 contract.

Accounts payable – payments due for services or goods that were rendered or received during fiscal year 2009. The accounts payable as of June 30, 2009 were \$153,566

J. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. Summary of Significant Accounting Policies: (Continued)

K. 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 less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Economic Dependency

The School receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

3. Deposits:

At June 30, 2009, the carrying amount of the School's deposits was \$3,544 and the bank balance was \$28,472. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of receivables at June 30, 2009 is as follows:

<u>Grants Receivables</u>	<u>Amount</u>
State Grants	<u>\$5,264</u>
Total	<u>\$5,264</u>

5. Capital Assets: - Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Capital Assets:				
Furniture and Equipment	\$357,103	\$ 0	\$ 0	\$357,103
Total Assets	<u>357,103</u>	<u>0</u>	<u>0</u>	<u>\$357,103</u>
Depreciation:				
Furniture and Equipment	\$(179,296)	\$(36,452)	\$ 0	\$(215,748)
Accumulated Depreciation	<u>(179,296)</u>	<u>(36,452)</u>	<u>0</u>	<u>(215,748)</u>
Net Capital Assets	<u>\$ 177,807</u>			<u>\$141,355</u>

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

6. Risk Management:

A. Property and 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. For the year ended June 30, 2009, the School contracted with Acordia of Columbus for its insurance coverage as follows:

General Liability aggregate	\$2,000,000
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There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

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 determined by the State.

C. Employee Insurance Benefits

The School utilizes Superior Dental, Anthem Blue Cross/Blue Shield and VSP to provide dental, health, life, vision, accidental death and dismemberment insurance benefits to School employees.

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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 of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$14,411, \$9,450, and \$9,644 respectively; 100 percent has been contributed for all fiscal years.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

7. Defined Benefit Pension Plans: (Continued)

B. State Teachers Retirement System

Plan Description - The School 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 School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$46,596, \$38,379, and \$48,182 respectively; 100 percent has been contributed for all fiscal years. Contributions to the DC and Combined Plans for fiscal year 2009 were \$41,172 made by the School District and \$26,080 made by the plan members.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

8. Post-employment Benefits:

A. School Employees Retirement System

Plan Description – The School 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, 4.18 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 \$8,992.

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 School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,576, \$3,137, and \$9,072 respectively; 100 percent has been contributed for all fiscal years.

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 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009 and 2008 were \$1,038 and \$643 respectively; 100 percent has been contributed for fiscal year 2009 and 2008.

B. State Teachers Retirement System

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

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

8. Post-employment Benefits: (Continued)

B. State Teachers Retirement System (Continued)

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 School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,584, \$2,952, and \$3,706 respectively; 100 percent has been contributed for all fiscal years.

9. Restricted Net Assets:

At June 30, 2009 the School reported restricted net assets totaling \$4,187. The nature of the net asset restrictions are as follows:

State specific educational program grants	\$ 1,023
Federal specific educational program grants	<u>3,164</u>
Total	<u>\$ 4,187</u>

10. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2009.

11. Contracted Fiscal Services:

The School entered into a contract with Mangen & Associates (M&A), which is an education finance consulting company, to provide basic treasurer and financial/operations management services for the fiscal year 2009. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A will perform basic treasurer services, financial management services and basic CSADM/EMIS/DASL services. The total fee paid for these services during fiscal year 2009 was \$128,880.

12. Other Purchased Services:

During the fiscal year ended June 30, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 85,238
Property Services	6,364
Travel Mileage/Meeting Expenses	1,321
Communications	<u>6,910</u>
Total Purchased Services	<u>\$ 99,833</u>

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

13. Short-Term Debt:

During FY07, the School entered into a short-term debt agreement with Fifth Third Bank for a line of credit. At June 30, 2009 the School owed \$36,797 on this line of credit. During FY09, the School paid interest on this line of credit and did not draw down any additional funds from this line of credit. The School did borrow \$88,933 from Mangen & Associates for operating expenses during the year and had a loan balance of \$75,888 at June 30, 2009. The M&A loan was a no-interest loan with no minimum payment requirements.

14. Operating Leases:

The School entered into a new lease agreement for a building August 7, 2007 with Catholic Diocese of Columbus. The lease is scheduled to expire July 31, 2009. Monthly rent is \$2,083. Lease payments made to the Catholic Diocese of Columbus totaled \$24,996 for the fiscal year ending June 30, 2009.

Previously, the School was under a lease agreement with Down Town Tiano II, Ltd. which was scheduled to expire September 30, 2009. Payments made to payoff the terminating lease agreement early was \$4,000 during fiscal year ending June 30, 2009.

15. Management Plan:

At June 30, 2009, the School had an operating loss of \$367,198 and negative unrestricted net assets of \$302,672. The current financial plan is to use the positive operating margin, due mainly to a significant increase in enrollment, in fiscal year 2010 to fully pay off all loan debt by the end of the 2009-2010 school year. As of January 31, 2010, the School had a positive operating margin of \$65,132. In addition to paying off the debt, the School plans to make payments toward the M&A outstanding payables. All other obligations will remain current. The School's Board of Trustees has adopted a balanced budget for the fiscal year ending June 30, 2010 which includes full payment of all outstanding loans and a payment plan for payment of M&A outstanding invoices. The School's future financial objective include building an unencumbered cash reserve equal to three months of average operating expenses during the 2011 and 2010 fiscal years to meet ongoing cash flow requirements without the need for an outside line of credit or any philanthropic contributions.

16. Subsequent Events:

Subsequent to the 2009 fiscal year end, the School borrowed an additional \$75,000 (same terms) from Mangen & Associates to provide the short-term cash flow necessary to cover the gap in ODE funding for the costs associated with the increase in the School's student enrollment. In fiscal year 2010, the School paid off the Fifth Third line of credit and paid \$100,000 toward the Mangen Associates loans of \$150,889. The remaining balance of the short-term debt is currently \$50,889.

As a result of a significant increase in student enrollment in September 2009, the School is now generating a positive operating margin each month. As of January 31, 2010 our CSADM count was 158.39 FTE. Our operating margin for FY10 as of January 31, 2010 was +\$65,132. In addition, the School was awarded a \$200,000 21st Century grant allocation in fiscal year 2010 to support the growth of academic intervention and other after-school programs.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

17. Related Party:

The School's Management Company and Fiscal Agent, Mangen and Associates, donated \$130,000 and loaned \$88,933 to the School for operating expenses during fiscal year 2009.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Columbus Bilingual Academy
Franklin County
35 Midland Avenue
Columbus, Ohio 43223

To the Board of Trustees:

We have audited the financial statements of the Columbus Bilingual Academy, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 22, 2010, wherein we noted the School experienced certain financial difficulties. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2009-001 is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 22, 2010

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Significant Deficiency and Material Weakness

Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the School's financial statements.

The Accountant did not always accurately post receipts and disbursements to the School's accounting system and financial statements. The following posting errors were noted:

Posting Error	2009
Debt proceeds classified as miscellaneous receipts	\$88,933
Principal debt payments were posted as a reduction of receipts	36,750
Gain on sale of assets and accounts receivable amounts were booked erroneously	20,000
Loan proceeds and principal debt payments were posted twice to ledgers	23,706

Not posting receipts, disbursements, liabilities, and receivables accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjusting entries; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the School's activities or identify misstatements or errors in a timely manner.

We recommend the School's Treasurer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the USAS line item descriptions, GAAP and AOS Bulletins. By exercising accuracy in recording financial activity, the School can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the School implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

The School's financial statements and records have been adjusted to accurately reflect the proper line item classifications and totals.

Officials' Response:

The debt/asset accounting codes have been reviewed with the Accountant and an additional layer of monitoring has been included in the process to ensure a check and balance in the coding process.

**COLUMBUS BILINGUAL ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Board did not follow policy on certifying availability of funds	Yes	
2008-002	Financial Statement Presentation	No	Not Corrected – reissued as Finding 2009-001
2008-003	Bank reconciliations – School had reconciling items that needed posted to ledgers.	Yes	



Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Columbus Bilingual Academy
Franklin County
35 Midland Avenue
Columbus, Ohio 43223

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 Columbus Bilingual 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 February 23, 2009.
2. We read the policy, noting it included the following requirements from 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 3313.666;
 - (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;
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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 Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 22, 2010



Mary Taylor, CPA
Auditor of State

COLUMBUS BILINGUAL ACADEMY

FRANKLIN 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 1, 2010**