Bridges Community Academy
Seneca County, Ohio

Regular Audit

July 1, 2009 through June 30, 2010
Fiscal Year Audited Under GAGAS: 2010

Balestra, Harr & Scherer, CPAs, Inc.

Circleville, OH Ironton, OH Piketon, OH Wheelersburg, OH Worthington, OH

Members of the Board
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, 2009 through June 30, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

March 29, 2011

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For the Fiscal Year Ended June 30, 2010

Independent Auditor's Report

Members of the Board of Education
Bridges Community Academy
190 Saint Francis Avenue
Tiffin, OH 44883

We have audited the accompanying financial statements of the business-type activities of the Bridges Community Academy, Seneca County, (the Academy), as of and for the year ended June 30, 2010, which collectively 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 opinions 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bridges Community Academy, Seneca County, as of June 30, 2010, and the respective changes in financial position and, cash flows thereof 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 February 21, 2011 on our consideration of the Academy'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.

Members of the Board of Education
Bridges Community Academy
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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.

As described in Note 3, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets, GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, and GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 21, 2011

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The management's discussion and analysis of the Bridges Community Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. 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 the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets were $82,252 at June 30 2010.

- The Academy had operating revenues of $1,072,992 and operating expenses of $1,322,845 for fiscal year 2010. The Academy also received $786 in interest earnings and $256,924 in Federal and State subsidies during fiscal year 2010. The total change in net assets for the fiscal year was an increase of $7,857.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The s*tatement of net assets* and s*tatement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

The table below provides a summary of the Academy's net assets for fiscal years 2010 and 2009.

Net Assets

	2010	2009
Assets		
Current assets	$ 242,502	$ 161,179
Capital assets, net	26,413	46,581
Total assets	268,915	207,760
Liabilities		
Current liabilities	186,663	133,365
Total liabilities	186,663	133,365
Net Assets		
Invested in capital assets	26,413	46,581
Unrestricted	55,839	27,814
Total net assets	$ 82,252	$ 74,395

At June 30, 2010, the Academy's net assets increased by $7,857. Cash and investments increased by $73,264 and accounts and intergovernmental receivables increased by $8,059. The Academy received a $6,059 refund from the School Employees Retirement System which is reported as an intergovernmental receivable at June 30, 2010. Current liabilities at June 30, 2010 increased as a result of an intergovernmental payable reported in the amount of $57,326 due to the Ohio Department of Education (see Note 13.B for detail). Capital assets decreased by $20,168, the amount of the current year depreciation expense, as there were no additions or disposals during fiscal year 2010.

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The table below shows the changes in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	2010	2009
Operating Revenues:		
Sales	$ 6,355	$ -
State foundation	1,054,259	1,200,733
Other operating revenues	12,378	13,984
Total operating revenue	1,072,992	1,214,717
Operating Expenses:		
Salaries and wages	724,363	619,733
Fringe benefits	215,884	273,620
Purchased services	305,567	215,191
Materials and supplies	40,392	61,909
Depreciation	20,168	35,255
Other	16,471	6,643
Total operating expenses	1,322,845	1,212,351
Non-operating Revenues:		
Interest earnings	786	55
Federal and State subsidies	256,924	55,787
Total non-operating revenues	257,710	55,842
Change in net assets	7,857	58,208
Net assets at beginning of year	74,395	16,187
Net assets at end of year	$ 82,252	$ 74,395

State foundation is the primary support for the Academy, representing 80.08 percent and 94.50 percent of total revenue in fiscal years 2010 and 2009, respectively. State foundation decreased during fiscal year 2010 as a result of the decrease in student enrollment of 179 students in 2009 to 174 students in fiscal year 2010. State foundation also decreased as a result of $57,326 owed back to the Ohio Department of Education as a result of the fiscal year 2010 enrollment data and full-time equivalency reviews (see Note 13.B for detail). The increase of $201,137 in Federal and State subsidies was due to the receipt of American Recovery and Reinvestment Act (ARRA) grants during fiscal year 2010. The Academy reported $6,355 in student lunch sales in fiscal year 2010.

The increase in expenses of $110,494 was due to an increase in salaries and wages and fringe benefit expenditures in 2010, primarily due to an increase in the number of staff.

Capital Assets

At June 30, 2010, the Academy had $26,413 invested in furniture and equipment and computer equipment, net of accumulated depreciation. The Academy reported no capital acquisitions or disposals and $20,168 in depreciation expense in fiscal year 2010. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2010, the Academy had no debt obligations outstanding.

Current Financial Related Activities

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 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 clients 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 financial information contact: Ms. Dona Kaufman, Director at Bridges Community Academy, 190 St. Francis Avenue, Tiffin, Ohio 44883.

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:		
Current assets:		
Cash and investments	$	234,443
Receivables:		
Accounts		2,000
Intergovernmental		6,059
Total current assets		242,502
Noncurrent assets:		
Depreciable capital assets, net		26,413
Total assets		268,915
Liabilities:		
Current liabilities:		
Accounts payable.		10,760
Accrued wages and benefits		97,173
Intergovernmental payable		78,730
Total liabilities		186,663
Net assets:		
Invested in capital assets		26,413
Unrestricted.		55,839
Total net assets	$	82,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
Sales.	$ 6,355
State foundation	1,054,259
Other operating revenues	12,378
Total operating revenues	1,072,992
Operating expenses:	
Salaries and wages.	724,363
Fringe benefits.	215,884
Purchased services.	305,567
Materials and supplies	40,392
Depreciation	20,168
Other operating	16,471
Total operating expenses.	1,322,845
Operating loss.	(249,853)
Non-operating revenues:	
Interest earnings	786
Federal and State subsidies	256,924
Total nonoperating revenues.	257,710
Change in net assets	7,857
Net assets at beginning of year	74,395
Net assets at end of year	$ 82,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:		
Cash received from sales	$	6,355
Cash received from State foundation.		1,111,585
Cash received from other operations.		10,378
Cash payments for personal services.		(959,961)
Cash payments for purchased services.		(295,940)
Cash payments for materials and supplies		(40,392)
Cash payments for other operating expenses		(16,471)
Net cash used in operating activities		(184,446)
Cash flows from noncapital financing activities:		
Cash received from Federal and State subsidies		256,924
Net cash provided by noncapital financing activities.		256,924
Cash flows from investing activities:		
Interest received		786
Net cash provided by investing activities		786
Net increase in cash and cash cash equivalents		73,264
Cash and cash equivalents at beginning of year . . .		161,179
Cash and cash equivalents at end of year.	$	234,443
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(249,853)
Adjustments:		
Depreciation		20,168
Changes in assets and liabilities:		
(Increase) in accounts receivable		(2,000)
(Increase) in intergovernmental receivable		(6,059)
Increase in accounts payable		9,627
Increase in accrued wages and benefits		5,923
Increase in intergovernmental payable		37,748
Net cash used in operating activities	$	(184,446)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ACADEMY

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, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any 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, 2010. 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 of Trustees 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 controls the Academy's one instructional/support facility staffed by 3 classified and 20 certified, teaching personnel who provide services to 174 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. 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 statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recognized in the financial records and reported on the financial statements. The Academy’s financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Investments

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. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments. During fiscal year 2010, investments consisted of a U.S. government mutual fund. Investments are reported at fair value, which is based on quoted market prices.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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 market values as of the dates received. The Academy maintains a capitalization threshold of $500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Assets	Years
Furniture and equipment	10
Computer equipment	5

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Special Education, Education Stabilization, and the Parity Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2010 school year totaled $1,054,259.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant subsidies received during fiscal year 2010 was $256,924.

H. Intergovernmental Payables

The Academy has recognized certain liabilities on the statement of net assets relating to expenses, which are due but unpaid as of June 30, 2010, including:

Accrued wages and benefits payable - a liability has been recognized at June 30, 2010 for salary payments and benefits made after year-end for services rendered in fiscal year 2010.

Intergovernmental payable - payments for the employer's share of the retirement contributions ($14,930), workers compensation ($5,140), and Medicare ($1,334) associated with services rendered during fiscal year 2010 but were not paid until the subsequent year. A liability has also been recorded in the amount of $57,326, which represents the amount the Academy was overpaid by the Ohio Department of Education during fiscal year 2010 (see Note 13.B for detail).

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant subsidies received during fiscal year 2010 was $256,924.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Estimates

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

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all Academy deposits was $208,740. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, all of the Academy's bank balance of $210,970 was covered by the Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2010, the Academy had the following investment and maturity:

Investment type	Fair Value	Investment Maturity 6 months or less
U.S. Government mutual fund	$ 25,703	$ 25,703

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Academy's investment in the U.S. Government mutual fund was rated AAAf/S1 by Standard & Poor's. The Academy's investment policy does not specifically address credit risk beyond requiring the Academy to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 06/30/09	Additions	Disposals	Balance 06/30/10
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
Accumulated depreciation:				
Furniture and equipment	(4,644)	(1,971)	-	(6,615)
Computer equipment	(132,616)	(18,197)	-	(150,813)
Total accumulated depreciation	(137,260)	(20,168)	-	(157,428)
Capital assets, net	$ 46,581	$ (20,168)	$ -	$ 26,413

NOTE 6 - 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. During fiscal year 2010, the Academy contracted with Indiana Insurance for general liability, excess/umbrella liability, workers compensation and employers liability, and property insurance, coverage as follows:

Coverage	Limits of Coverage
General liability:	
Each occurrence	$ 1,000,000
General aggregate	2,000,000
Medical expenses	15,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	300,000
Products - aggregate	2,000,000
Excess/umbrella liability:	
Each occurrence	1,000,000
Aggregate	2,000,000
Retention	10,000
Workers compensation and employers liability:	
Each accident	1,000,000
Disease - each employee	1,000,000
Disease - policy limit	1,000,000
Property	35,000

NOTE 6 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in coverage from the prior fiscal year.

B. Workers' Compensation

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

C. 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.

NOTE 7 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were $19,510, $13,813 and $19,342, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

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.

NOTE 7 - PENSION PLANS - (Continued)

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 fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required 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, 2010, 2009 and 2008 were $71,615, $60,811 and $71,092, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40 and SERS' reimbursement to retirees was $45.50.

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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was $35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $702, $6,321 and $8,826 respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,160, $1,140 and $1,394, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

NOTE 8 - POSTEMPLOYMENT BENEFITS - (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 2010, 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, 2010, 2009, and 2008 were $5,509, $4,678 and $5,469, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 9 - OPERATING LEASES

The Academy entered into an operating lease agreement with St. Francis Home, Inc., for classroom space beginning July 21, 2004. On July 15, 2009, the Academy entered into its 3rd renewal term of the lease and made lease payments totaling $64,920 during fiscal year 2010. The current lease term ends on July 14, 2010. This agreement is, in substance, a rental agreement (operating lease) and the lease payments are classified as purchased services expenses in the financial statements.

NOTE 10 - CONTRACTS

A. Sponsor Contract

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 controls of the Academy;
- Comply with the requirements and procedures for financial audits by the Auditor of State.

The Sponsor shall carry out the responsibilities established by law, including:

- Monitor the Academy's compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Report on an annual basis the results of the evaluation conducted under the contract to the department of education and to the parents of students enrolled in the Academy;
- Provide technical assistance to the Academy in complying with laws applicable to the Academy and terms of the contract;

NOTE 10 - CONTRACTS - (Continued)

- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;

- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or losses before the end of a fiscal year end.

The Academy paid $12,713 in sponsorship fees during fiscal year 2010.

B. Service Contract

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of fourteen months, commencing on July 1, 2009 and ending on August 31, 2010, for fiscal services, which includes payroll and check processing. The Academy paid CSS $26,520 in service fees for fiscal year 2010.

NOTE 11 - PURCHASED SERVICES

For fiscal year 2010, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	$ 207,459
Property services	16,669
Communcations	860
Utilities	69,844
Pupil transportation services	3,322
Other	7,413
Total	$ 305,567

NOTE 12 - LINE OF CREDIT

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 credit line carries an annual interest rate of 2.5% over the prime rate. Amounts borrowed are to be used to fund current operations of the Academy. The Academy did not borrow from the line of credit during fiscal year 2010.

NOTE 13 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

B. State Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the fiscal year 2010 reviews, the Academy was overpaid and owes back ODE $57,326. This amount has been reported as an intergovernmental payable on the statement of net assets.

NOTE 14 - SIGNIFICANT SUBSEQUENT EVENTS

On July 13, 2010, the Academy renewed the operating lease agreement with St. Francis Home, Inc., for classroom space beginning July 15, 2010 and terminating July 14, 2011. The annual cost of the lease for fiscal year 2011 is $64,642.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Members of the Board of Education
Bridges Community Academy
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, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 21, 2011 in which we noted that the Academy adopted Governmental Accounting Standards Board Statement No. 51, Statement No. 53, and Statement No. 58. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

Members of the Board of Education
Bridges Community Academy
Report on Internal Control over Financial Reporting and on compliance and Other Matters Required by Government Auditing Standards.
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Compliance and Other Matters

As part of reasonably assuring whether the Academy'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 we must report under *Government Auditing Standards*.

We intend this report for the information and use of management, members of the Board of Education, and others within the Academy. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 21, 2011

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
APRIL 12, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us