



**COLUMBUS BILINGUAL ACADEMY NORTH
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

**COLUMBUS BILINGUAL ACADEMY NORTH
FRANKLIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Columbus Bilingual Academy North
Franklin County
3360 Kohr Boulevard
Columbus, Ohio 43224

To the Board of Directors:

We have audited the accompanying basic financial statements of the Columbus Bilingual Academy North, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to an express 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 respective financial position of the Columbus Bilingual Academy North, Franklin County, Ohio, as of June 30, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the School has suffered losses from operations and has a net asset deficiency. Note 15 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

February 10, 2012

Columbus Bilingual Academy North
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

As management of the Columbus Bilingual Academy North (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2011. 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.

Financial Highlights

Key financial highlights for the School are as follows:

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$318,407 (negative net assets). Of this amount, \$81,636 was invested in capital assets.
- The School's total net assets decreased by \$318,407 during the fiscal year.

Using this Annual 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 presentation information is the same.

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

The statement of net assets and the statement of revenues, expenses and changes in net assets answer the question, "How did we do financially during the fiscal year?" The statement of net assets 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 measurement 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.

The statement of revenues, expenses and changes in net assets reports the changes in net assets. This change in net assets is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Columbus Bilingual Academy North
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Financial Analysis

Table 1 provides a summary of the School's net assets at June 30, 2011.

Table 1
Net Assets at Year End

| | <u>2011</u> |
|----------------------------|----------------------------|
| Assets: | |
| Current and Other Assets | \$ 132,645 |
| Capital Assets, Net | <u>81,636</u> |
| Total Assets | <u>214,281</u> |
| Liabilities: | |
| Current Liabilities | 342,688 |
| Noncurrent Liabilities | <u>190,000</u> |
| Total Liabilities | <u>532,688</u> |
| Net Assets: | |
| Invested in Capital Assets | 81,636 |
| Restricted | 14,506 |
| Unrestricted | <u>(414,549)</u> |
| Total Net Assets | <u><u>\$ (318,407)</u></u> |

As this was the initial period of operation, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Columbus Bilingual Academy North
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Financial Analysis

Table 2 shows the change in net assets for the fiscal year ended June 30, 2011.

Table 2
Changes in Net Assets

| | 2011 |
|---|--------------|
| Operating Revenues: | |
| Foundation Revenues | \$ 766,638 |
| Total Operating Revenues | 766,638 |
| Operating Expenses: | |
| Salaries and Wages | 645,102 |
| Fringe Benefits | 162,250 |
| Purchased Services | 624,365 |
| Materials and Supplies | 140,969 |
| Depreciation | 13,705 |
| Other | 6,483 |
| Total Operating Expenses | 1,592,874 |
| Operating (Loss) | (826,236) |
| Nonoperating Revenues (Expenses) | |
| State and Federal Grants | 507,829 |
| Total Nonoperating Revenues (Expenses) | 507,829 |
| Change in Net Assets | (318,407) |
| Net Assets, Beginning of Year | - |
| Net Assets, End of the Year | \$ (318,407) |

As this was the initial period of operation, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Columbus Bilingual Academy North
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Capital Assets

At fiscal year-end, the School's net capital asset balance was \$81,636. This balance represents current year additions of \$95,341 offset by current year depreciation of \$13,705. For more information on capital assets, see Note 5 to the basic financial statements.

Debt

The School received an operating loan of \$335,000 during the fiscal year. The School repaid \$100,000 leaving \$235,000 outstanding as of fiscal year end. For more information on this loan, see Note 13 to the basic financial statements.

Current Financial Issues

The School depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the School in future fiscal years due to the State's current economic environment. One of the critical financial issues during the 2011 fiscal year was the excessive cost of student transportation. The School is anticipating a reduction in student enrollment during the 2012 fiscal year as student transportation is eliminated and the student grade span is reduced from K-8 to K-4. During the period July 1, 2010 to June 30, 2011, there were approximately 105 students enrolled in the School. The School receives its finances mostly from state aid. Per pupil aid for this period amounted to \$5,703 per student.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Columbus Bilingual Academy North 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 North, 1567 Loretta Avenue, Columbus, Ohio 43211.

**COLUMBUS BILINGUAL ACADEMY NORTH
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

| | |
|---|------------|
| Assets: | |
| Current Assets | |
| Intergovernmental Receivables | \$ 123,995 |
| Deposit Held by Others | 8,650 |
| Total Current Assets | 132,645 |
| Noncurrent Assets | |
| Capital Assets, Net of Accumulated Depreciation | 81,636 |
| Total Noncurrent Assets | 81,636 |
| Total Assets | \$ 214,281 |
| Liabilities: | |
| Current Liabilities | |
| Accounts Payable | \$ 189,179 |
| Accrued Wages Payable | 78,568 |
| Intergovernmental Payable | 29,941 |
| Note Payable | 45,000 |
| Total Current Liabilities | 342,688 |
| Long-Term Liabilities: | |
| Note Payable | 190,000 |
| Total Noncurrent Liabilities | 190,000 |
| Total Liabilities | 532,688 |
| Net Assets: | |
| Invested in Capital Assets | 81,636 |
| Restricted | 14,506 |
| Unrestricted | (414,549) |
| Total Net Assets | (318,407) |
| Total Liabilities and Net Assets | \$ 214,281 |

See accompanying notes to the basic financial statements.

**COLUMBUS BILINGUAL ACADEMY NORTH
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|---|----------------------------|
| Operating Revenues: | |
| Foundation Payments | \$ 766,638 |
| Total Operating Revenues | <u>766,638</u> |
| Operating Expenses: | |
| Salaries & Wages | 645,102 |
| Fringe Benefits | 162,250 |
| Purchased Services | 624,365 |
| Materials and Supplies | 140,969 |
| Depreciation | 13,705 |
| Other Expenses | 6,483 |
| Total Expenses | <u>1,592,874</u> |
| Operating Income (Loss) | <u>(826,236)</u> |
| Non-Operating Revenues (Expenses): | |
| State and Federal Grant Revenue | 507,829 |
| Total Non-Operating Revenues (Expenses) | <u>507,829</u> |
| Change in Net Assets | (318,407) |
| Net Assets Beginning of Year | - |
| Net Assets End of Year | <u><u>\$ (318,407)</u></u> |

See accompanying notes to the basic financial statements.

**COLUMBUS BILINGUAL ACADEMY NORTH
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|--|---------------------|
| Cash Flows from Operating Activities: | |
| Cash Received from State of Ohio | \$ 723,341 |
| Cash Payments to Employees for Services and Benefits | (698,863) |
| Cash Payments to Suppliers for Goods and Services | (606,881) |
| Other Operating Expenses | (6,483) |
| Net Cash Used for Operating Activities | <u>(588,886)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Cash received for Note Proceeds | 335,000 |
| Cash received for State and Federal Grants | 427,151 |
| Cash Paid for Principal Payments | (100,000) |
| Negative Cash Balance Implicitly Financed | 22,076 |
| Net Cash from Noncapital Financing Activities | <u>684,227</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Payments for Capital Acquisitions | (95,341) |
| Net Cash Used for Capital and Related Financing Activities | <u>(95,341)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | - |
| Cash and Cash Equivalents at Beginning of Year | - |
| Cash and Cash Equivalents at End of Year | <u>\$ -</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities: | |
| Operating Income (Loss) | \$ (826,236) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities: | |
| Depreciation | 13,705 |
| Changes in Assets and Liabilities: | |
| Deposits Held by Others | (8,650) |
| Intergovernmental Receivable | (43,317) |
| Accounts Payable | 167,103 |
| Accrued Wages | 78,568 |
| Intergovernmental Payable | 29,941 |
| Net Cash Used for Operating Activities | <u>\$ (588,886)</u> |

See accompanying notes to the basic financial statements.

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COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

1. Description of the School and Reporting Entity:

Columbus Bilingual Academy North (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade. 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 2011 fiscal year, Mangen & Associates School Resource Center. Douglas Mangen served as the Certified Treasurer during the entire 2011 fiscal period. The Richland Academy was the School's sponsor in fiscal year 2011. 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 controls the School's instructional/support facility staffed by 1 non-certified and 19 certificated full time teaching personnel who provide services to 105 students.

The School entered into a service agreement with Mangen & Associates to provide certain academic program development and support, operations management, CCIP administration, EMIS/SOES/CRRS administration and financial/accounting services, including the provisions of 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 accounting principles generally accepted in the United States of America 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 NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 fund 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 life 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 and Equipment | 3-5 years |
| Land Improvement | 10 years |

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

2. Summary of Significant Accounting Policies (Continued):

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 received. 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 are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and contributions 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 fiscal year-end, 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 2011 contract.

Accounts payable – payments due for services or goods that were rendered or received during fiscal year 2011. The accounts payable as of June 30, 2011 were \$189,179, of which \$124,175 represents related party transactions as the amount the School owes Mangen & Associates for services rendered.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

2. Summary of Significant Accounting Policies (Continued):

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.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. 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 and Investments:

At June 30, 2011, the carrying amount of the School's deposits was negative \$22,076 and the bank balance was \$55,292. Cash and cash equivalents are reported at \$0 on the financial statements with the negative balance of \$22,076 being reported as an Account Payable. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the School's bank balance was not exposed to risk as it was covered by the Federal Deposit Insurance Corporation.

In addition, at fiscal year-end, the School had \$8,650 in Deposits Held by Others. This amount represents two security deposits on leased buildings.

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, 2011 is as follows:

| <u>Grants Receivables</u> | <u>Amount</u> |
|---------------------------|------------------|
| Federal Grants | \$80,678 |
| Foundation | 43,297 |
| Pension Overpayment | 20 |
| Total | <u>\$123,995</u> |

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

| Capital Assets: | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Furniture and Equipment | - | 85,346 | - | 85,346 |
| Land Improvements | - | 9,995 | - | 9,995 |
| Total Capital Assets | - | 95,341 | - | 95,341 |
| Less Accumulated Depreciation: | | | | |
| Furniture and Equipment | - | (13,205) | - | (13,205) |
| Land Improvements | - | (500) | - | (500) |
| Total Accumulated Depreciation | - | (13,705) | - | (13,705) |
| Net Capital Assets | \$ - | \$ 81,636 | \$ - | \$ 81,636 |

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, 2011, the School contracted with Philadelphia Insurance for its insurance coverage as follows:

| | |
|-------------------------------|-------------|
| General Liability (aggregate) | \$2,000,000 |
|-------------------------------|-------------|

There was no significant reduction in coverage during the fiscal year. Settlement amounts did not exceeded coverage amounts during the fiscal year.

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.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

7. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.8%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions for pension obligations to SERS for the fiscal year ended June 30, 2011, was \$2,640. The amount contributed for fiscal year 2011 was 88 percent. The unpaid contribution has been recorded as a liability.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

7. Defined Benefit Pension Plans (Continued):

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

7. Defined Benefit Pension Plans (Continued):

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2011 was \$80,957. 71 percent has been contributed for fiscal year 2011. The School's unpaid contribution for fiscal year 2011 has been recorded as a liability.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

8. Post-employment Benefits:

a. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

8. Post-employment Benefits (continued):

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The School's contributions for the year ended June 30, 2011 was \$170. 88 percent has been contributed for fiscal year 2011. The unpaid contribution has been recorded as a liability.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. 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. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care, including the surcharge, for the year ended June 30, 2011 was \$767. 88 percent has been contributed for fiscal year 2011. The unpaid contribution has been recorded as a liability.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

8. Post-employment Benefits (continued):

a. State Teachers Retirement System

Plan Description - The School contributes to the cost-sharing, multiple employer postemployment 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 writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School's required contributions for health care for the fiscal year ended June 30, 2011, 2010 and 2009 was \$6,227. 71 percent has been contributed for fiscal year 2011. The unpaid contribution has been recorded as a liability.

9. Restricted Net Assets:

At June 30, 2011 the School reported restricted net assets totaling \$14,506. This balance represents net assets restricted for federal grant programs.

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 fiscal year-end.

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

11. Contracted Instruction Development, Operations Administration and Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education services organization. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The total fee charged for these services during fiscal year 2011 was \$165,425. Of this amount, \$124,175 was still payable to M&A at fiscal year-end. The Agreement provides that M&A will perform the following services:

- **Education Program Management**, including oversight of curriculum development, teacher recruitment and selection, teacher professional development oversight, instruction support, program assessment and evaluation, policy development, procedures development, oversight of student discipline, and other functions performed by school principals in Ohio public schools.
- **School Operations Management**, including oversight of facilities, technology, HR, office administration, staff recruitment and selection, staff training, operations oversight and refinement, program assessment and evaluation, policy development, procedure development, and other functions performed by typical school business managers in Ohio public schools.
- **Treasurer Services, Financial Management, EMIS/SOES and CCIP Administration**, including required documents for state and federal governments, basic accounting reports to Director and Board, including financial management support services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource call support, EMIS/SOES setup, maintenance, oversight, and input of financial data directly into the EMSI and SOES subsystems, and all areas of CCIP application, management, fund retrieval and consolidated application allocation reviews tailored specifically toward the School's needs.

12. Purchased Services:

During the fiscal year ended June 30, 2011, purchased service expenses for services rendered by various vendors were as follows:

| | |
|-------------------------------------|-------------------|
| Professional and Technical Services | \$ 250,268 |
| Management Services | 21,700 |
| Property Services | 37,739 |
| Repairs and Maintenance | 6,898 |
| Utilities | 36,052 |
| Cleaning Services | 16,589 |
| Contracted Food Services | 87,956 |
| Other Pupil Transportation | 141,672 |
| Instructional Services | 3,787 |
| Advertising | 14,144 |
| Other Purchased Services | 7,560 |
| Total Purchased Services | <u>\$ 624,365</u> |

COLUMBUS BILINGUAL ACADEMY NORTH

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

13. Debt Obligations:

During the fiscal year, the School borrowed \$335,000 from Mangen & Associates for operating expenses during the year. The School repaid \$100,000 leaving a balance of \$235,000 as of fiscal year-end. The School is scheduled to pay \$45,000 in fiscal year 2012, and the balance of the note in fiscal year 2013. 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 June 18, 2010 with Catholic Diocese of Columbus. The lease is scheduled to expire June 30, 2011. Monthly rent is \$3,000. Lease payments made to the Catholic Diocese of Columbus totaled \$36,000 for the fiscal year ending June 30, 2011.

15. Management Plan:

At June 30, 2011, there was a delay in receiving reimbursements for eligible federal program expenses from the Ohio Department of Education that created a negative cash impact of \$60,288 for the School's federal grant funds. Although other School funds had positive cash balances totaling \$38,212, when combined with the delay in receiving eligible reimbursements, the School had a negative ending cash balance of \$22,076. Cash and cash equivalents are reported at \$0 on the financial statements with the negative balance of \$22,076 being reported as an Account Payable. These funds were reimbursed by ODE in fiscal year 2012 and the School has regained a positive cash balance in all funds.

The School has remained current on all outstanding payables with the exception of M&A. The positive margins have not been adequate to pay off the full amount of the M&A loans and outstanding payables, which as of June 30, 2011, totaled \$235,000 in loans and \$124,175 in outstanding payables. The financial plan will continue to focus on cutting costs within daily operations through process improvements and spending restrictions on items that are not considered a priority to the School's instructional program. The objective during fiscal year 2012 is to use the excess operating margins to pay off some or all of the remaining M&A loans and outstanding payables. All other obligations will remain current. The School's unencumbered fund balance as of December 31, 2011 is negative \$435,511 and a cash balance of \$19,285. The negative unencumbered balance is largely due to encumbrances for operational expenditures that are expected to be made for the remaining fiscal year through June 2012. The outstanding loan balance owed to M&A was \$235,000 at December 31, 2011.

The School's Board of Directors has adopted a balanced budget for the fiscal year ending June 30, 2012 which includes a payment plan for the payment of M&A outstanding payables noted above. The long-term objective is to build an unencumbered cash reserve equal to three months of core operating expenditures to meet ongoing cash flow requirements without the need for an outside line of credit or any philanthropic contributions.



Dave Yost • 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 North
Franklin County
3360 Kohr Boulevard
Columbus, Ohio 43224

To the Board of Directors:

We have audited the basic financial statements of the Columbus Bilingual Academy North, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 10, 2012, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

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 School'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 material weaknesses, as defined above.

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 we must report under *Government Auditing Standards*.

Columbus Bilingual Academy North
Franklin County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 10, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

February 10, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Columbus Bilingual Academy North
Franklin County
3360 Kohr Boulevard
Columbus, Ohio 43224

To the Board of Directors:

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 North, Franklin County, Ohio, (the School) 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.

We inquired with the Board's management regarding the aforementioned policy. They stated they have not yet adopted an anti-harassment policy. The Board should adopt a policy as required by Ohio Rev. Code 3313.666.

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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 10, 2012

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Dave Yost • Auditor of State

COLUMBUS BILINGUAL ACADEMY NORTH

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
MARCH 27, 2012**