

**B.A.J.I.M. VILLAGE ACADEMY
FRANKLIN COUNTY, OHIO**

(AUDITED)

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

JESSE HEMPHILL, TREASURER



Dave Yost • Auditor of State

Board of Directors
B.A.J.I.M. Village Academy
471 East Broad Street Suite 1800
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the B.A.J.I.M. Village Academy, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 B.A.J.I.M. Village Academy is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 9, 2014

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**B.A.J.I.M. VILLAGE ACADEMY
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

B.A.J.I.M. Village Academy
Franklin County
471 East Broad Street
Suite 1800
Columbus, Ohio 43215

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the B.A.J.I.M. Village Academy, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the B.A.J.I.M. Village Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the B.A.J.I.M. Village Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the B.A.J.I.M. Village Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the B.A.J.I.M. Village Academy, Franklin County, Ohio, as of June 30, 2013 and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16, the Board of Directors decided to discontinue its operations of the Academy effective September 27, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the B.A.J.I.M. Village 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the B.A.J.I.M. Village Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.
January 24, 2014

**B.A.J.I.M. VILLAGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The discussion and analysis of B.A.J.I.M Village Academy's (the Academy) financial performance provides an overall review of the financial activities for the initial fiscal year ended June 30, 2013. 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.

The Management's Discussion and Analysis (the "MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments" issued in June of 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the Academy, comparative prior fiscal year information does not exist.

Financial Highlights

Key financial highlights for the B.A.J.I.M Village Academy for the fiscal year ended June 30, 2013 are as follows:

- Total net position was \$(250,206).
- Total assets were \$19,919.
- Total liabilities were \$270,125.
- The Academy's operating (loss) was \$(288,653).

Using this Financial Report

This financial report contains the basic financial statements of the Academy, 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 position, Statement of Revenues, Expenses and Changes in Net position, and a Statement of Cash Flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

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

**B.A.J.I.M. VILLAGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

Table 1 provides a summary of the Academy's net position as of June 30, 2013.

	<u>6/30/2013</u>
Assets:	
Current Assets	\$ 19,919
Total Assets	<u>19,919</u>
Liabilities:	
Current liabilities	<u>270,125</u>
Total Liabilities	<u>270,125</u>
Net Position:	
Unrestricted	<u>(250,206)</u>
Total Net Position (deficit)	<u><u>\$(250,206)</u></u>

At June 30, 2013, this is the initial year of operation for the Academy. Financial information for June 30, 2012 is not available for inclusion in the discussion and analysis; therefore, no comparison between current and prior year can be analyzed.

**B.A.J.I.M. VILLAGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Table 2 shows the changes in net position for fiscal year ended June 30, 2013.

	6/30/2013
Operating Revenues:	
Foundation	\$ 256,553
Non-Operating Revenues:	
State Revenue	1,067
Federal Revenue	37,522
Miscellaneous Revenue	385
Total Revenues	295,527
 Operating Expenses:	
Salaries & Wages	108,133
Fringe Benefits	30,464
Purchased Services	399,351
Materials and Supplies	7,258
Non-Operating Expenses:	
Other Expenses	527
Total Expenses	545,733
 Change in Net Position	(250,206)
Net Position, Beginning of Year	-
Net Position, End of Year (deficit)	\$(250,206)

At June 30, 2013, this is the initial year of operation for the Academy. Financial information for June 30, 2012 is not available for inclusion in the discussion and analysis; therefore, no comparison between current and prior year can be analyzed.

Capital Assets

At June 30, 2013, the Academy did not have any capital assets.

Debt

The debt obligation of the Academy consisted solely of various loans obtained to provide financial assistance for the day to day operation of the Academy. At June 30, 2013, the outstanding principal balance was \$12,800. See Note 12 of the notes to the basic financial statements for additional information.

**B.A.J.I.M. VILLAGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Restrictions and Other Limitations

The future stability of the Academy is not without challenges. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Current Financial Related Activities

Effective September 27, 2013, the Academy ceased operations (See Note 16 to the basic financial statements for detail). The Academy was reliant upon State Foundation monies and Federal grants to finance its operations.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the B.A.J.I.M Village Academy and to show the Academy'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 B.A.J.I.M Village Academy, 471 East Broad Street, Suite 1800, Columbus, Ohio 43215.

**BAJIM VILLAGE ACADEMY
FRANKLIN COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

ASSETS

CURRENT ASSETS

Cash	\$ 6,793
Intergovernmental Receivables	<u>13,126</u>

Total Current Assets 19,919

TOTAL ASSETS 19,919

LIABILITIES

CURRENT LIABILITIES

Accrued Wages	20,029
Intergovernmental Payable	111,306
Accounts Payable	125,990
Notes Payable	<u>12,800</u>

Total Current Liabilities 270,125

TOTAL LIABILITIES 270,125

NET POSITION

Unrestricted (250,206)

TOTAL NET POSITION (deficit) \$ (250,206)

See accompanying notes to the financial statements.

**BAJIM VILLAGE ACADEMY
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES:	
Foundation Payments	\$ 256,553
	<u>256,553</u>
Total Operating Revenues	<u>256,553</u>
OPERATING EXPENSES	
Salaries & Wages	108,133
Fringe Benefits	30,464
Purchased Services	399,351
Materials and Supplies	7,258
	<u>7,258</u>
Total Operating Expenses	<u>545,206</u>
Operating Loss	<u>(288,653)</u>
NON-OPERATING REVENUES/(EXPENSES)	
Federal Grant Revenue	37,522
State Grant Revenue	1,067
Other Revenue	385
Other Expenses	(527)
	<u>(527)</u>
Total Non-Operating Revenues/(Expenses)	<u>38,447</u>
Change in Net Position	(250,206)
Net Postition, Beginning of Year	<u>-</u>
Net Position, End of Year (deficit)	<u><u>\$ (250,206)</u></u>

See accompanying notes to the financial statements.

**BAJIM VILLAGE ACADEMY
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INCREASE (DECREASE) IN CASH

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 245,368
Cash Payments to Employees for Services and Benefits	(7,262)
Cash Payments to Suppliers for Goods and Services	(280,619)
Net Cash Used for Operating Activities	<u>(42,513)</u>

Cash Flows from Noncapital Financing Activities

Federal and State Grants	36,648
Other Revenue	385
Other Expenses	(527)
Net Cash Provided by Noncapital Financing Activities	<u>36,506</u>

Cash Flows from Capital and Related Financing Activities

Cash Received from Loan Proceeds	26,017
Cash Payment on Loans	(13,217)
Net Cash Provided by Capital and Related Financing Activities	<u>12,800</u>

Net Increase in Cash 6,793

Cash, Beginning of Year -

Cash, End of Year 6,793

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss (288,653)

Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:

Changes in Assets and Liabilities:

(Increase) Decrease in Intergovernmental Receivables	(11,185)
Increase (Decrease) in Accrued Wages Payable	20,029
Increase (Decrease) in Intergovernmental Payable	111,306
Increase (Decrease) in Accounts Payable	<u>125,990</u>

Total Adjustments 246,140

Net Cash Used for Operating Activities \$ (42,513)

See accompanying notes to the financial statements.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Description of the School and Reporting Entity

B.A.J.I.M Village Academy (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy, which is part of the State's education program, is independent of any school district and are 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 a contract with the Educational Resource Consultants of Ohio, Inc. for fiscal year ended June 30, 2013.

The Academy is required to operate under the direction of a Governing Board consisting of at least five members. The Governing 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.

2. Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy'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, if any) 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.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 position. The difference between total assets and liabilities are defined as net position. The Statement of Revenues, Expenses and Changes in Net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

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 Academy's contract with its Sponsor. The contract between the Academy 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

All monies received by the Academy are maintained in a demand deposit account.

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 Academy does not possess any infrastructure. The Academy maintains a capitalization threshold of \$5,000. 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.

The Academy did not have any capital assets at June 30, 2013.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

2. Summary of Significant Accounting Policies (Continued)
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F. 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 these estimates.

G. Intergovernmental Revenues

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

At June 30, 2013, intergovernmental revenues associated with the Foundation Program totaled \$256,553. Revenues associated with specific education grants from the state and federal governments totaled \$38,589.

H. Operating Revenues and Expenses

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

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

2. Summary of Significant Accounting Policies (Continued)

I. Accrued Liabilities

The Academy has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of June 30, 2013. Accrued liabilities totaled \$257,325 as of June 30, 2013.

J. Deferred Outflow / Deferred Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. At June 30, 2013, the Academy reported no deferred outflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2013, the Academy had no items which were classified as deferred inflows of resources.

K. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position is 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 Academy had no restricted net position at June 30, 2013.

3. Change in Accounting Principles

For fiscal year 2013, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

3. Change in Accounting Principles (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows or resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). These changes were incorporated in the Academy's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Academy's financial statements.

4. Deposits

At June 30, 2013, the carrying amount of the Academy's deposits was \$6,793 and the bank balance was \$7,358.

Of the bank deposits, all were covered under FDIC. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

5. Risk Management

A. Property and Liability

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2013, the Academy contracted with Hartford Insurance Company for its insurance coverage as follows:

General Liability per occurrence	\$1,000,000
General Liability aggregate	\$2,000,000

Settlement amounts did not exceed coverage amounts in fiscal year 2013.

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.

6. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

6. Defined Benefit Pension Plans (Continued)

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the Academy 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, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contribution for pension obligations and death benefits to SERS for the fiscal year ended June 30, 2013 was \$7,108, which equaled the required contribution for the year.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

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 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 may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

6. Defined Benefit Pension Plans (Continued)

The DB Plan benefits are established under Chapter 3307 of the Ohio 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 members’ 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% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the money-purchase benefit, members’ lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

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. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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 members’ designated beneficiary is entitled to receive the member’s account balance.

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members’ defined benefit is determined by multiplying 1% of the members’ final average salary by the members’ years of service credit. The defined benefit portion of the Combined Plan is payable to members 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.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

6. Defined Benefit Pension Plans (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during 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.

For fiscal year ended June 30, 2013, members were required to contribute 10% of their annual covered salary and the Academy was required to contribute 14%. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers provided by Chapter 3307 of the Ohio Revised Code.

The Academy's required contribution for pension obligations to STRS Ohio for the fiscal year ended June 30, 2013 was \$3,669, which was equal to the required contribution for the year.

7. Post-Employment Benefits

A. School Employee Retirement System

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

Medicare Part B Plan

The Medicare Part 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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 2013, the actuarially required allocation is .74%. The Academy contribution for the year ended June 30, 2013 was \$402, which equaled the required contribution for the year.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

7. Post-Employment Benefits (Continued)
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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, 2013, the health care allocation is .16%. 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 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 2013, the minimum 4 compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contribution assigned to health care (including surcharge) for the fiscal year ended June 30, 2013 was \$87, which was equal to the required contribution for the year.

The SERS Retirement Board establishes the rules for the premium paid by the retirees for healthcare 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 Medicaid B plans are included in its Comprehensive Annual Financial Report. This report can be obtained on SERS Website at www.ohsers.org under Employer/Audit Resources.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

7. Post-Employment Benefits (Continued)
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B. State Teachers Retirement System

Plan Description

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

Funding Policy

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal year ended June 30, 2013 was \$282, which was equal to the required contribution for the year.

8. Sponsor

The Academy was approved for operation under a contract with Educational Resource Consultants of Ohio (the Sponsor) for fiscal year ended June 30, 2013. July 1, 2013, the Sponsor renewed its contract with Academy for a two year period ending June 30, 2015. As part of this contract, the Sponsor is entitled to a maximum of 3% of total state funds received by the Academy. Total amount due and paid at June 30, 2013 was \$7,361.

On September 27, 2013, the Sponsor closed the Academy due to the following violation of the sponsorship agreement: for failed to enroll a minimum number of students.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

9. Contract Fiscal Services

The Academy is a party to a fiscal services agreement with Hemphill & Associates (“H&A”), which is a certified public accounting company. The Agreement's term is for a twelve month period beginning July 1, 2012, and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. Total payments to H&A totaled \$14,000 for the fiscal year ended June 30, 2013 and the outstanding balance of \$29,200 is recorded as payable on the statement of net position.

10. Purchased Services

Purchased service expenses for services rendered by various vendors were as follows:

	<u>6/30/2013</u>
Professional Services	\$ 233,256
Property	131,407
Communication	8,242
Travel / Meeting	7,776
Contracted Services	<u>18,670</u>
Total Purchased Services	<u>\$399,351</u>

11. Operating Leases

July 5, 2012, the Academy entered into a lease agreement with the Bryden House Limited Partnership for a building. The lease is 3 year term ending August 4, 2015 and have the option to renew for one additional year unless terminated prior to the end of the lease term. The Academy opted to terminate this lease for fiscal year 2014. Lease payments to the Bryden House Limited Partnership totaled \$36,298 for the fiscal year ended June 30, 2013 and the outstanding balance of \$75,282 is recorded as payable on the statement of net position.

The Academy entered into lease agreement with Gordon Fleisch for a copier. Total payments at June 30, 2013 was \$3,690. The following is a schedule of the future minimum lease payments required under the lease:

Fiscal Year Ending June 30,	Amount
2014	\$ 4,428
2015	\$ 4,428
2016	\$ 4,428

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

12. Related Party Transactions

The Academy's Director, Kristie Marshall is the daughter of Academy's Founder/CEO. The Director payments totaled \$24,900 for fiscal year ended June 30, 2013.

The Academy's Founder/CEO, Ceola Garrett loaned the Academy \$19,217. In addition, the Academy's Caterer, Linzy Catering loaned the Academy \$6,800. See Note 13 for additional information.

13. Loans Payable

June 2013, the Academy entered into related party loan agreements with Mrs. Ceola Garrett and Linzy Catering. The total amount of the loan was set at \$12,800 as of June 30, 2013. The loans do not contain any provision for interest. The entire unpaid principal shall become due immediately and payable on demand but no later than one year from the date of this loan.

The activity of the Academy's loans payable is summarized as follows:

June 30, 2013

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Loan Proceeds</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
Ceola Garrett	\$ -	\$ 19,217	\$ 13,217	\$ 6,000	\$ 6,000
Linzy Catering	-	6,800	-	6,800	6,800
	<u>\$ -</u>	<u>\$ 26,017</u>	<u>\$ 13,217</u>	<u>\$ 12,800</u>	<u>\$ 12,800</u>

14. 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 Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at June 30, 2013.

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

14. Contingencies (Continued)

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy does not anticipate any significant adjustments to State funding for fiscal year 2013, as a result of the reviews which have yet to be completed.

15. Deficit Balance

At June 30, 2013, the Academy had an operating loss (\$288,653) and net position of (\$250,206). Management intends to eliminate these deficits by increasing enrollment and improving operating efficiencies. As of September 30, 2013, the Academy's cash balance is \$8,410.

16. Subsequent Events

August 16, 2013, the Academy moved its location to J.H. Ross Family Life & Community Center, 907 Lexington Avenue, Columbus, Ohio.

September 27, 2013, the Sponsor closed the Academy for failure to enroll a minimum number of students.

Total expenditures and cash receipts subsequent to fiscal year end through the report date were as follows:

Cash balance at June 30, 2013	\$ 6,793
Cash receipts:	
Federal and state grants	2,897
Miscellaneous receipts	<u>4,500</u>
Total cash receipts	<u>7,397</u>
Cash disbursements:	
Fringe benefits	59
Purchased service	5,311
Other	410
Legal fees	<u>-</u>
Total cash disbursements	<u>5,780</u>
Cash balance	<u><u>\$ 8,410</u></u>

**B.A.J.I.M VILLAGE ACADEMY
FRANKLIN COUNTY
NOTES TO THE FINANCIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

16. Subsequent Events (Continued)
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October, the Sponsor held an auction on behalf of the Academy and sold the Academy's inventory of furniture and equipment for \$840.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

B.A.J.I.M. Village Academy
Franklin County
471 East Broad Street
Suite 1800
Columbus, Ohio 43215

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the B.A.J.I.M. Village Academy, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the B.A.J.I.M. Village Academy's basic financial statements and have issued our report thereon dated January 24, 2014, wherein we noted on September 27, 2013, the Academy discontinued its operations, as discussed in Note 16.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the B.A.J.I.M. Village Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the B.A.J.I.M. Village Academy's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the B.A.J.I.M. Village Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
B.A.J.I.M. Village Academy

Compliance and Other Matters

As part of reasonably assuring whether the B.A.J.I.M. Village 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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the B.A.J.I.M. Village Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the B.A.J.I.M. Village Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 24, 2014



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Applying Agreed-Upon Procedure

B.A.J.I.M. Village Academy
Franklin County
471 East Broad Street
Suite 1800
Columbus, Ohio 43216

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 procedure enumerated below, which was agreed to by the Board solely to assist the Board in evaluating whether the B.A.J.I.M. Village Academy has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 13, 2012.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property, on a school bus, or at school-sponsored events and expressly providing for the possibility of suspension of a student found responsible for harassment, intimidation, or bullying by an electronic act;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board and B.A.J.I.M. Village Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
January 24, 2014



Dave Yost • Auditor of State

B.A.J.I.M VILLAGE ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2014**