

Bridges Community Academy

Seneca County, Ohio

Regular Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Piketon, Ohio 45661

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bridges Community Academy, Seneca County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bridges Community Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 22, 2008

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Bridges Community Academy
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For the Fiscal Year Ended June 30, 2007

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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

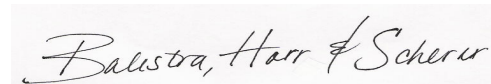
We have audited the financial statements of the business-type activities of the Bridges Community Academy (the Academy), as of and for the year ended June 30, 2007, which comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Academy, as of June 30, 2007, and the respective changes in financial position and cash flows there of, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Balestra, Harr & Scherer, CPAs, Inc.

March 14, 2008

Bridges Community Academy
Seneca County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Our discussion and analysis of the Bridges Community Academy's (the Academy's) financial performance provides and overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- Total net assets at year end were \$128,926 compared with 159,890 of total net assets reported in 2006. This represents a decrease of 19.4%. This decrease is mostly related to an increase to current liabilities. The Academy hired additional staff in 2007, resulting in a higher amount recorded as wages payable liability at year end than in the prior fiscal year.
- In fiscal year 2007, total revenues increased by \$259,151 and total expenses increased 332,619 over those reported in the prior year. Academy enrollment has increased from the prior year resulting in an increase in foundation receipts as well as in increase in the expenditures related to providing services to students.
- Total assets for fiscal year 2007 were \$278,896, a 16.5% increase over the prior year.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

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

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

Bridges Community Academy
Seneca County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

A comparative analysis of fiscal year 2007 and 2006 follows:

Net Assets

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 187,828	\$ 147,358
Capital Assets, Net	<u>91,068</u>	<u>91,950</u>
Total Assets	<u>278,896</u>	<u>239,308</u>
Current Liabilities	<u>149,970</u>	<u>79,418</u>
Total Liabilities	<u>149,970</u>	<u>79,418</u>
Net Assets:		
Invested in Capital		
Assets, net of debt	91,068	91,950
Unrestricted	<u>37,858</u>	<u>67,940</u>
Total Net Assets	<u>\$ 128,926</u>	<u>\$ 159,890</u>

The largest portion of the Academy's net assets (70.6%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Academy uses capital assets to provide services; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets of the Academy decreased \$30,964. The decrease is related to an increase in current liabilities for wages and benefits payable of \$40,623 over the prior year. The Academy added four certified and five classified staff members in 2007 resulting in this increase. Unrestricted net assets reflect a positive balance of \$37,858.

Bridges Community Academy
Seneca County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Sales	\$ 0	\$ 83
Foundation payments	887,897	663,938
Other Operating Revenues	14,512	13,656
Non-Operating Revenues:		
Investment Earnings	1,644	1,037
State subsidies	7,000	5,000
Federal subsidies	<u>181,812</u>	<u>150,000</u>
Total Revenues	1,092,865	833,714
Operating Expenses:		
Salaries & Wages	601,848	434,422
Fringe Benefits	224,582	126,020
Purchased Services	187,167	168,564
Materials & Supplies	69,968	17,195
Depreciation	30,468	24,774
Miscellaneous	<u>9,796</u>	<u>20,235</u>
Total Expenses	<u>1,123,829</u>	<u>791,210</u>
Change in Net Assets	<u><u>\$(30,964)</u></u>	<u><u>\$ 42,504</u></u>

The Academy's increase in revenue and expenses are the result of increased enrollment and an increase to staff to provide services to those students.

Capital Assets

The Academy has \$91,068 invested in capital assets net of depreciation. Significant additions to the Academy's capital assets for the 2007 fiscal year were the purchase of computers for student instruction and the implementation of a new phone system for the Academy. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 6).

Restrictions and Other Limitations

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

The main challenge is the state economy. 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.

On October 4, 2004, a suit was filed in the US District Court, Southern District of Ohio, Western Division, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. The case is pending. The Academy is unable to determine what effect, if any, this decision will have on future funding from the State.

Bridges Community Academy
Seneca County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Contacting the Academy's Financial Management

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

**Bridges Community Academy
Seneca County
Statement of Net Assets
as of June 30, 2007**

Assets

Current Assets

Cash and Investments	\$ 167,073
Accounts Receivable	130
Intergovernmental Receivable	<u>20,625</u>
Total Current Assets	<u>187,828</u>

Non-Current Assets

Capital Assets (Net of Accumulated Depreciation)	<u>91,068</u>
Total Assets	<u><u>\$ 278,896</u></u>

Liabilities

Current Liabilities

Accounts Payable	\$ 8,311
Accrued Wages & Benefits	106,657
Intergovernmental Payable	<u>35,002</u>
Total Current Liabilities	<u>149,970</u>

Total Liabilities	<u>149,970</u>
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Net Assets

Invested in Capital Assets	91,068
Unrestricted	<u>37,858</u>
Total Net Assets	<u><u>\$ 128,926</u></u>

See accompanying notes to the basic financial statements.

**Bridges Community Academy
Seneca County
Statement of Revenues, Expenses,
and Changes in Net Assets
for the Fiscal Year ended June 30, 2007**

Operating Revenues	
Foundation Payments	\$887,897
Other Operating Revenues	14,512
Total Operating Revenues	<u>902,409</u>
Operating Expenses	
Salaries & Wages	601,848
Fringe Benefits	224,582
Purchased Services	187,167
Materials & Supplies	69,968
Depreciation	30,468
Miscellaneous	9,796
Total Operating Expenses	<u>1,123,829</u>
Operating Income	(221,420)
Non-Operating Revenues and (Expenses)	
Interest Earnings	1,644
State subsidies	7,000
Federal subsidies	181,812
Total Non-Operating Revenues and (Expenses)	<u>190,456</u>
Net Income	(30,964)
Net Assets Beginning of Year	159,890
Net Assets End of Year	<u>\$ 128,926</u>

See accompanying notes to the basic Financial Statements

**Bridges Community Academy
Seneca County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2007**

Cash Flows from Operating Activities

Cash received from Foundation Payments	\$887,897
Cash received from Other Operating Revenues	14,462
Cash payments to employees for services and benefits	(762,636)
Cash payments for goods and services	(260,173)
Net Cash Provided By/(Used for) Operating Activities	<u>(120,450)</u>

Cash Flows from Noncapital Financing Activities

Federal & State Subsidies	243,187
Net Cash from Noncapital Financing Activities	<u>243,187</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(29,586)
Net Cash Used for Capital and Related Financing Activities	<u>(29,586)</u>

Cash Flows from Investing Activities

Interest earnings	1,644
Net cash from investing activities	<u>1,644</u>

Net increase in cash and cash equivalents : 94,795

Cash and cash equivalents at beginning of year 72,278

Cash and cash equivalents at end of year \$ 167,073

Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities

Operating Income (221,420)

Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities

Depreciation	30,468
Changes in Assets and Liabilities:	
Accounts Receivable	(50)
Accounts Payable	6,758
Accrued Wages and Benefits	40,623
Payable to State Pension Systems	23,171
Total Adjustments	<u>100,970</u>

Net cash provided (used) by operating activities \$ (120,450)

See the accompanying notes to the basic financial statements.

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

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

The Academy operates under the direction of a five member Board of Trustees. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees control the Academy's instructional/support facility staffed by 18 certificated full time teaching personnel and 9 classified staff members who provide services to 144 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

D. Cash

All monies received by the Academy are pooled and deposited in separate bank accounts in the Academy's name.

E. Estimates

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

F. Capital Assets and Depreciation

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

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

<u>Assets</u>	<u>Years</u>
Furniture and Equipment	10
Computer equipment	5

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under the above named programs for 2007 school year totaled \$887,897.

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2007, including:

Wages Payable – a liability has been recognized at June 30, 2007 for salary payments made after year-end that were for services rendered in fiscal year 2007.

Intergovernmental Payable – payment for the employer’s share of the retirement contribution (\$26,867), worker’s compensation (\$7,116), and Medicare (\$1,019) associated with services rendered during fiscal year 2007, but were not paid until the subsequent fiscal year.

I. Net Assets

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

3. DEPOSITS

At June 30, 2007, the carrying amount of all Academy deposits was \$167,073. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2007, \$20,113 of the Academy’s bank balance of \$120,113 was exposed to custodial risk as discussed below, while \$100,000 of the bank balance was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Academy’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

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

4. INTERGOVERNMENTAL RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2007 consisted of the following federal grants in which all grant requirements had been satisfied; Title II-A (\$625), and Start-Up grant funding (\$20,000).

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

5. OTHER RECEIVABLES

Other receivables at June 30, 2007 consisted of accounts receivable of \$130.

6. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2007, follows:

	Balance <u>7/01/06</u>	<u>Additions</u>	Balance <u>6/30/07</u>
Capital Assets being depreciated			
Furniture and Equipment	\$ 3,219	\$ 9,341	\$ 12,560
Computer Equipment	<u>128,668</u>	<u>20,245</u>	<u>148,913</u>
Total capital assets being depreciated	<u>131,887</u>	<u>29,586</u>	<u>161,473</u>
Less: Accumulated Depreciation			
Furniture and Equipment	(402)	(1,023)	(1,425)
Computer Equipment	<u>(39,535)</u>	<u>(29,445)</u>	<u>(68,980)</u>
Total accumulated depreciation	<u>(39,937)</u>	<u>(30,468)</u>	<u>(70,405)</u>
Net Capital Assets	<u>\$ 91,950</u>	<u>\$ (882)</u>	<u>\$ 91,068</u>

7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the Academy contracted with Indiana Insurance for property and for general liability insurance. There is a \$500 deductible for both coverage's.

Professional liability is protected by Indiana Insurance with a \$1,000,000 single occurrence limit and \$2,000,000 aggregate with a \$500 deductible.

There have been no significant changes in coverage. Claims have not exceeded coverage in the past three years.

B. Worker's Compensation

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

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3476 or by calling (800) 878-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate, currently 14%. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2007, 2006, and 2005 was \$18,306, \$13,136 and \$3,425 respectively. 78.96% has been contributed for fiscal year 2007 and 100% for 2006 and 2005.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on members contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined

Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 or the Ohio Revised Code.

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

B. State Teachers Retirement System (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are only entitled 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.

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

The Academy's required contribution for pension obligations to STRS Ohio for the years ending June 30, 2007, 2006, and 2005 was \$63,551 \$ \$44,132 and \$26,951 respectively. 85.63% has been contributed for fiscal year 2007, and 100% for 2006 and 2005.

9. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Academy, this amount equaled \$4,889 during fiscal year 2007.

For the year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282,743,000 and eligible benefit recipients totaled 119,184.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

9. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation was 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2007, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$8,272.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 (the latest information available), the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs, and there were 59,492 participants eligible to receive benefits. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claims costs.

10. OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

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

11. FISCAL AGENT

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

- Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State
- Comply with the policies and procedures regarding internal financial control of the Academy
- Comply with the requirements and procedures for financial audits by the Auditor of State

The Academy entered into a contract with Ace Charter School Services, a division of Harris Software Corp. for fiscal services including school treasurer services, payroll services, and capital asset services. The total expense paid under this contract during fiscal year 2007 totaled \$20,120.

12. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the Academy at June 30, 2007.

Bridges Community Academy
Seneca County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

12. CONTINGENCIES (Continued)

B. Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is pending. The effect of this suit, if any, on the Academy is not presently determinable.

C. 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 funding is calculated. The conclusions of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustment for fiscal year 2007, as a result of such review.

13. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2007, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$ 110,252
Property Services	69,837
Communications	6,403
Other Purchased Services	675
Total Purchased Services	<u>\$ 187,167</u>

14. TAX EXEMPT STATUS

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

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the accompanying financial statements of the business-type activities of the Bridges Community Academy (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

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

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

Members of the Board

Bridges Community Academy

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.
March 14, 2008

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
JUNE 30, 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Failing to obtain adequate supporting documentation in the disbursement process	Yes	
2006-001	Failing to file a report in accordance with ORC Section 117.38	Yes	



Mary Taylor, CPA
Auditor of State

BRIDGES COMMUNITY ACADEMY

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2008**