

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2012*

ROBERT LOTZ, TREASURER



Dave Yost • Auditor of State

Board of Directors
Bridges Community Academy
190 St. Francis Avenue
Tiffin, Ohio 44883

We have reviewed the *Independent Accountants' Report* of the Bridges Community Academy, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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.

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

Dave Yost
Auditor of State

January 9, 2013

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**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	10 - 21
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	22 - 23

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Bridges Community Academy
190 St. Francis Avenue
Tiffin, Ohio 44883

To the Board of Directors:

We have audited the accompanying basic financial statements of the Bridges Community Academy, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Bridges Community 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridges Community Academy, as of June 30, 2012, and the changes in its financial position and its cash flows for the fiscal 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 November 29, 2012 on our consideration of the Bridges Community Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Bridges Community Academy
Page Two

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

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

Julian & Grube, Inc.
November 29, 2012

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

The management's discussion and analysis of the Bridges Community Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets were \$39,075 at June 30 2012.
- The Academy had operating revenues of \$1,051,173 and operating expenses of \$1,302,066 for fiscal year 2012. The Academy also received \$1,208 in interest earnings, \$5,384 in contributions and donations and \$158,078 in Federal and State subsidies during fiscal year 2012. The total change in net assets for the fiscal year was a decrease of \$86,223.

Using these Basic Financial Statements

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

Reporting the Academy Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

The table below provides a summary of the Academy's net assets for fiscal years 2012 and 2011.

	Net Assets	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 168,653	\$ 227,727
Capital assets, net	<u>14,353</u>	<u>15,608</u>
Total assets	<u>183,006</u>	<u>243,335</u>
<u>Liabilities</u>		
Current liabilities	<u>143,931</u>	<u>118,037</u>
Total liabilities	<u>143,931</u>	<u>118,037</u>
<u>Net Assets</u>		
Invested in capital assets	14,353	15,608
Restricted	-	23,112
Unrestricted	<u>24,722</u>	<u>86,578</u>
Total net assets	<u>\$ 39,075</u>	<u>\$ 125,298</u>

At June 30, 2012, the Academy's net assets decreased by \$86,223. Cash and cash equivalents decreased by \$110,918 and intergovernmental receivables increased by \$53,574. Intergovernmental receivable increased at June 30, 2012 due to the Ohio Department of Education owing \$64,132 to the Academy.

Capital assets decreased by \$1,255, due to depreciation expense of \$6,049 exceeding additions of \$4,794.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

The table below shows the changes in net assets for fiscal years 2012 and 2011.

	2012	2011
<u>Operating Revenues:</u>		
Sales	\$ 6,013	\$ 3,317
State foundation	1,037,755	1,098,545
Other operating revenues	7,405	12,265
Total operating revenue	1,051,173	1,114,127
<u>Operating Expenses:</u>		
Salaries and wages	736,946	818,303
Fringe benefits	235,074	231,840
Purchased services	274,988	276,328
Materials and supplies	47,991	46,182
Depreciation	6,049	10,805
Other	1,018	895
Total operating expenses	1,302,066	1,384,353
<u>Non-operating Revenues:</u>		
Interest earnings	1,208	1,121
Contributions and donations	5,384	-
Federal and State subsidies	158,078	312,151
Total non-operating revenues	164,670	313,272
Change in net assets	(86,223)	43,046
Net assets at beginning of year	125,298	82,252
Net assets at end of year	\$ 39,075	\$ 125,298

State foundation is the primary support for the Academy, representing 85.35 percent and 76.96 percent of total revenue in fiscal years 2012 and 2011, respectively. State foundation decreased during fiscal year 2012 due to a decrease in student enrollment. The decrease of \$154,073 in Federal and State subsidies was due to a decrease in revenue received from American Recovery and Reinvestment Act (ARRA) grants, the Education Jobs program, and Race to the Top program during fiscal year 2012.

The decrease in expenses of \$82,287 was due to a decrease in salaries and wages expenditures in 2012.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Capital Assets

At June 30, 2012, the Academy had \$14,353 invested in furniture and equipment and computer equipment, net of accumulated depreciation. The Academy reported \$4,794 capital acquisitions, no disposals and \$6,049 in depreciation expense in fiscal year 2012. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

Debt Administration

At June 30, 2012, the Academy had no debt obligations outstanding.

Current Financial Related Activities

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

Contacting the Academy's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 95,317
Receivables:	
Intergovernmental	<u>73,336</u>
Total current assets	<u>168,653</u>
Noncurrent assets:	
Depreciable capital assets, net	<u>14,353</u>
Total assets	<u>183,006</u>
Liabilities:	
Current liabilities:	
Accounts payable.	4,912
Accrued wages and benefits	111,759
Intergovernmental payable	<u>27,260</u>
Total liabilities	<u>143,931</u>
Net assets:	
Invested in capital assets	14,353
Unrestricted.	<u>24,722</u>
Total net assets	<u><u>\$ 39,075</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Sales	\$ 6,013
State foundation	1,037,755
Other operating revenues	7,405
Total operating revenues	<u>1,051,173</u>
 Operating expenses:	
Salaries and wages	736,946
Fringe benefits.	235,074
Purchased services.	274,988
Materials and supplies	47,991
Depreciation	6,049
Other operating	1,018
Total operating expenses.	<u>1,302,066</u>
 Operating loss.	 <u>(250,893)</u>
 Non-operating revenues:	
Interest earnings	1,208
Federal and State subsidies	158,078
Contributions and donations.	5,384
Total nonoperating revenues.	<u>164,670</u>
 Change in net assets	 (86,223)
 Net assets at beginning of year	 <u>125,298</u>
 Net assets at end of year	 <u>\$ 39,075</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from sales	\$ 6,013
Cash received from State foundation.	973,623
Cash received from other operations.	7,405
Cash payments for personal services.	(948,140)
Cash payments for purchased services.	(271,244)
Cash payments for materials and supplies	(47,991)
Cash payments for other operating expenses	<u>(1,018)</u>
Net cash used in operating activities	<u>(281,352)</u>
Cash flows from noncapital financing activities:	
Cash received from Federal and State subsidies	168,636
Cash received contributions and donations.	<u>5,384</u>
Net cash provided by noncapital financing activities.	<u>174,020</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,794)</u>
Net cash used in capital and related financing activities.	<u>(4,794)</u>
Cash flows from investing activities:	
Interest received	<u>1,208</u>
Net cash provided by investing activities	<u>1,208</u>
Net decrease in cash and cash equivalents	(110,918)
Cash and cash equivalents at beginning of year	<u>206,235</u>
Cash and cash equivalents at end of year.	<u><u>\$ 95,317</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (250,893)
Adjustments:	
Depreciation	6,049
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(64,132)
Decrease in prepayments	1,730
Increase in accounts payable	2,014
Increase in accrued wages and benefits.	19,515
Increase in intergovernmental payable	<u>4,365</u>
Net cash used in operating activities.	<u><u>\$ (281,352)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE ACADEMY

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

The Academy was approved for operation under contract with the Seneca East Local School District (the "Sponsor") for a period of one year commencing July 1, 2004 and has been renewed annually, with the most recent renewal occurring July 1, 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a nine-member Board of Directors. The Board of Directors 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 Directors controls the Academy's one instructional/support facility staffed by 3 classified and 16 certified, teaching personnel who provide services to 143 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Investments

All monies received by the Academy are pooled and deposited in bank accounts in the Academy's name. For internal accounting purposes, the Academy segregates its cash. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments. During fiscal year 2012, investments consisted of a U.S. government mutual fund. Investments are reported at fair value, which is based on quoted market prices.

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The Academy maintains a capitalization threshold of \$500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

<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, Special Education, Education Stabilization, and the Parity Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2012 school year totaled \$1,037,755.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant subsidies received during fiscal year 2012 was \$158,078.

H. Intergovernmental Payables

The Academy has recognized certain liabilities on the statement of net assets relating to expenses, which are due but unpaid as of June 30, 2012, including:

Accrued wages and benefits payable - a liability has been recognized at June 30, 2012 for salary payments and benefits made after year-end for services rendered in fiscal year 2012.

Intergovernmental payable - payments for the employer's share of the retirement contributions (\$23,973), workers compensation (\$1,820), and Medicare (\$1,467) associated with services rendered during fiscal year 2012, but were not paid until the subsequent year.

I. Net Assets

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

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

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

J. Estimates

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

K. Operating Revenues and Expenses

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

L. Prepayments

Certain payments to vendors reflected the costs applicable to future accounting periods and were recorded as prepaid items in the financial statements. These items were reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts was recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy did not have any prepaids at June 30, 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all Academy deposits was \$67,556. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, all of the Academy's bank balance of \$69,574 was covered by the Federal Deposit Insurance Corporation.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2012, the Academy had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> <u>6 months or less</u>
U.S. Government mutual fund	\$ 27,761	\$ 27,761

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

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

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

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/12</u>
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 16,143	\$ -	\$ -	\$ 16,143
Computer equipment	167,698	4,794	-	172,492
Total capital assets, being depreciated	183,841	4,794	-	188,635
<i>Accumulated depreciation:</i>				
Furniture and equipment	(8,330)	(1,954)	-	(10,284)
Computer equipment	(159,903)	(4,095)	-	(163,998)
Total accumulated depreciation	(168,233)	(6,049)	-	(174,282)
Capital assets, net	\$ 15,608	\$ (1,255)	\$ -	\$ 14,353

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Academy contracted with Indiana Insurance for general liability, excess/umbrella liability, workers compensation and employers' liability, and property insurance, coverage as follows:

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

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

B. Workers' Compensation

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

C. Insurance Benefits

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

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$69,716, \$15,387 and \$19,510, respectively; 90.17 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - PENSION PLANS - (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 entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$100,475, \$83,973 and \$71,615, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. During fiscal year 2012, there were no contributions made to the DC and Combined Plans by the Academy or plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Trustees have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$4,849, \$3,783 and \$702, respectively; 90.17 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,117, \$990 and \$1,160, respectively; 90.17 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$7,729, \$6,459 and \$5,509, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - OPERATING LEASES

On July 13, 2011, the Academy entered into its fifth renewal term of an operating lease agreement with St. Francis Home, Inc. for classroom space commencing July 15, 2011 and terminating July 14, 2012. The annual cost of the lease for fiscal year 2012 was \$66,041. This agreement is, in substance, a rental agreement (operating lease) and the lease payments are classified as purchased services expenses in the financial statements.

NOTE 10 - CONTRACTS

A. Sponsor Contract

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

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

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

- Monitor the Academy's compliance with the laws applicable to the Academy and with the terms of this contract;
- Monitor and evaluate the academic and fiscal performance and the organization of the Academy on at least an annual basis;
- Report on an annual basis the results of the evaluation conducted under the contract to the department of education and to the parents of students enrolled in the Academy;
- Provide technical assistance to the Academy in complying with laws applicable to the Academy and terms of the contract;
- Take steps to intervene in the Academy's operation to correct problems in the Academy's overall performance, declare the Academy to be on probationary status under Ohio Revised Code Section 3314.073, suspend operation of the Academy pursuant to Ohio Revised Code Section 3314.072, or terminate or non-renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the Sponsor;
- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or losses before the end of a fiscal year end.

The Academy paid \$115 in sponsorship fees during fiscal year 2012.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - CONTRACTS - (Continued)

B. Service Contract

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of twelve months, commencing on July 1, 2011 and ending on June 30, 2012, for fiscal services, which includes treasurer services, payroll services, and check processing. The Academy paid CSS \$30,062 in service fees for fiscal year 2012.

NOTE 11 - PURCHASED SERVICES

For fiscal year 2012, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 147,505
Property services	24,566
Communications	730
Utilities/Rent	69,424
Tuition	25,060
Pupil transportation services	<u>7,703</u>
Total	<u>\$ 274,988</u>

NOTE 12 - LINE OF CREDIT

On October 22, 2009, the Academy entered into a business loan agreement with Key Bank for a line of credit in the amount of \$20,000. The credit line carries an annual interest rate of 2.5% over the prime rate. Amounts borrowed are to be used to fund current operations of the Academy. The Academy did not borrow from the line of credit during fiscal year 2012.

NOTE 13 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

**BRIDGES COMMUNITY ACADEMY
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - CONTINGENCIES - (Continued)

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. Based upon the results of the review performed for fiscal year 2012, the Academy has recorded a \$64,132 intergovernmental receivable for monies due from the Ohio Department of Education.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Bridges Community Academy
190 St. Francis Avenue
Tiffin, Ohio 44883

To the Board of Directors:

We have audited the financial statements of the Bridges Community Academy, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Bridges Community Academy

Compliance and Other Matters

As part of reasonably assuring whether the Bridges Community Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.
November 29, 2012



Dave Yost • 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
JANUARY 22, 2013**