

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014*

**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 Auditor's Report* of the Bridges Community Academy, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. 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

December 31, 2014

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**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

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

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Bridges Community Academy, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bridges Community Academy's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridges Community Academy, Seneca County, Ohio, as of June 30, 2014, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bridges Community Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 12, 2014

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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, 2014. 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 fiscal year 2014 are as follows:

- In total, net position was \$14,668 at June 30, 2014.
- The Academy had operating revenues of \$990,731 and operating expenses of \$1,163,973 for fiscal year 2014. The Academy also received \$152,548 in Federal and State subsidies and \$10,565 in contributions and donations during fiscal year 2014. The total change in net position for the fiscal year was a decrease of \$10,129.

**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 position* and *statement of revenues, expenses and changes in net position* 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 Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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, 2014  
UNAUDITED

The table below provides a summary of the Academy's net position for fiscal years 2014 and 2013.

	<b>Net Position</b>	
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets	\$ 113,165	\$ 137,038
Capital assets, net	<u>6,840</u>	<u>8,833</u>
Total assets	<u>120,005</u>	<u>145,871</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>105,337</u>	<u>121,074</u>
Total liabilities	<u>105,337</u>	<u>121,074</u>
<b><u>Net Position</u></b>		
Investment in capital assets	6,840	8,833
Restricted	135	33
Unrestricted	<u>7,693</u>	<u>15,931</u>
Total net position	<u>\$ 14,668</u>	<u>\$ 24,797</u>

At June 30, 2014, the Academy's net position decreased by \$10,129. Cash and cash equivalents decreased by \$44,924.

Capital assets decreased due to depreciation expense of \$1,993.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

The table below shows the changes in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues:</u></b>		
Sales	\$ 2,968	\$ 5,006
State foundation	982,457	1,008,099
Other operating revenues	<u>5,306</u>	<u>3,750</u>
Total operating revenue	<u>990,731</u>	<u>1,016,855</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	616,272	649,995
Fringe benefits	216,580	219,537
Purchased services	251,404	245,910
Materials and supplies	48,179	61,758
Depreciation	1,993	5,520
Other	<u>29,545</u>	<u>491</u>
Total operating expenses	<u>1,163,973</u>	<u>1,183,211</u>
<b><u>Non-operating Revenues:</u></b>		
Interest earnings	-	132
Contributions and donations	10,565	4,130
Federal and State subsidies	<u>152,548</u>	<u>147,816</u>
Total non-operating revenues	<u>163,113</u>	<u>152,078</u>
Change in net position	(10,129)	(14,278)
Net position at beginning of year	<u>24,797</u>	<u>39,075</u>
Net position at end of year	<u>\$ 14,668</u>	<u>\$ 24,797</u>

State foundation is the primary support for the Academy, representing 85.15 percent and 86.24 percent of total revenue in fiscal years 2014 and 2013, respectively. State foundation decreased during fiscal year 2014 due to a decrease in student enrollment. The amount of Federal and State subsidies received during fiscal year 2014 was comparable to 2013.

A reduction in teaching staff resulted in a decrease in salaries and wages and fringe benefits expenditures in fiscal year 2014. Sponsorship fees reported in other operating expenses contributed to the increase in this line item for fiscal 2014.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

**Capital Assets**

At June 30, 2014, the Academy had \$6,840 invested in furniture and equipment and computer equipment, net of accumulated depreciation. The Academy reported no capital acquisitions, no disposals and \$1,993 in depreciation expense in fiscal year 2014. The accumulated depreciation balances by classification were restated at June 30, 2013, as described in Note 5 of the notes to the basic financial statements.

**Debt Administration**

At June 30, 2014, 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 POSITION  
JUNE 30, 2014

<b>Assets:</b>	
Current assets:	
Cash and cash equivalents . . . . .	\$ 88,660
Receivables:	
Intergovernmental . . . . .	21,941
Prepayments . . . . .	<u>2,564</u>
Total current assets . . . . .	<u>113,165</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>6,840</u>
Total assets. . . . .	<u>120,005</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	546
Accrued wages and benefits . . . . .	84,857
Intergovernmental payable . . . . .	<u>19,934</u>
Total liabilities . . . . .	<u>105,337</u>
 <b>Net position:</b>	
Investment in capital assets. . . . .	6,840
Restricted for:	
Federal programs . . . . .	135
Unrestricted. . . . .	<u>7,693</u>
Total net position. . . . .	<u>\$ 14,668</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating revenues:</b>	
Sales. . . . .	\$ 2,968
State foundation . . . . .	982,457
Other operating revenues. . . . .	<u>5,306</u>
Total operating revenues . . . . .	<u>990,731</u>
 <b>Operating expenses:</b>	
Salaries and wages. . . . .	616,272
Fringe benefits. . . . .	216,580
Purchased services. . . . .	251,404
Materials and supplies . . . . .	48,179
Depreciation . . . . .	1,993
Other operating. . . . .	<u>29,545</u>
Total operating expenses. . . . .	<u>1,163,973</u>
 Operating loss. . . . .	 <u>(173,242)</u>
 <b>Non-operating revenues:</b>	
Federal and State subsidies. . . . .	152,548
Contributions and donations. . . . .	<u>10,565</u>
Total non-operating revenues . . . . .	<u>163,113</u>
 Change in net position . . . . .	 (10,129)
 <b>Net position at beginning of year. . . . .</b>	 <u>24,797</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 14,668</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, 2014

<b>Cash flows from operating activities:</b>	
Cash received from sales. . . . .	\$ 2,968
Cash received from State foundation. . . . .	982,457
Cash received from other operations. . . . .	5,306
Cash payments for personal services. . . . .	(869,298)
Cash payments for purchased services. . . . .	(251,613)
Cash payments for materials and supplies . . . . .	(49,281)
Cash payments for other operating expenses . . . . .	<u>(28,518)</u>
 Net cash used in operating activities . . . . .	 <u>(207,979)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from Federal and State subsidies. . . . .	152,490
Cash received contributions and donations . . . . .	<u>10,565</u>
 Net cash provided by noncapital financing activities. . . . .	 <u>163,055</u>
 Net decrease in cash and cash cash equivalents . . . . .	 <u>(44,924)</u>
 <b>Cash and cash equivalents at beginning of year . . . . .</b>	 <u>133,584</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b><u>\$ 88,660</u></b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (173,242)
 Adjustments:	
Depreciation. . . . .	1,993
 Changes in assets and liabilities:	
(Increase) in intergovernmental receivable . . . . .	(21,734)
Decrease in prepayments . . . . .	741
Increase in accounts payable . . . . .	546
(Decrease) in accrued wages and benefits. . . . .	(12,518)
(Decrease) in intergovernmental payable . . . . .	<u>(3,765)</u>
 Net cash used in operating activities . . . . .	 <u>\$ (207,979)</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, 2014**

**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”) commencing July 1, 2004 and ended June 30, 2013. The Office of Sponsorship at the Ohio Department of Education became the sponsor for a period of five years, commencing July 1, 2013 through June 30, 2018. 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 seven-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 4 classified and 14 certified, teaching personnel who provide services to 130 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's significant accounting policies are described below.

**A. Basis of Presentation**

The Academy’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, 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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statements of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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, 2014

**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**

To improve cash management, all cash received by the Academy is pooled in bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with the original maturity 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 that are not purchased from the pool are reported as investments.

The Academy had no investments during fiscal year 2014.

**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, 2014

**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 Funding Program, Career Technical Funding Program, and the Economic Disadvantaged Funding Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under these programs for the 2014 school year totaled \$982,457.

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 2014 was \$152,548.

**H. Intergovernmental Payables**

The Academy has recognized certain liabilities on the statement of net position relating to expenses, which are due but unpaid as of June 30, 2014, including:

Accrued wages and benefits payable - a liability has been recognized at June 30, 2014 for salary payments and benefits made after year-end for services rendered in fiscal year 2014.

Intergovernmental payable - consists primarily of payments for the employer's share of the retirement contributions (\$17,283), workers compensation (\$1,535) and Medicare (\$1,116) associated with services rendered during fiscal year 2014, but were not paid until the subsequent year.

**I. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

**J. Estimates**

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

**K. Operating Revenues and Expenses**

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

**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 position 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2014, the carrying amount of all Academy deposits was \$88,660. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, all of the Academy's bank balance of \$90,272 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, 2014

**NOTE 5 - CAPITAL ASSETS**

Accumulated depreciation has been restated to properly reflect the accumulated depreciation balances in the furniture and equipment and computer equipment classifications at June 30, 2013. The restatement did not have an effect on net position at June 30, 2013. Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Restated Balance			Balance
	<u>06/30/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>06/30/14</u>
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 16,143	\$ -	\$ -	\$ 16,143
Computer equipment	<u>172,492</u>	<u>-</u>	<u>-</u>	<u>172,492</u>
Total capital assets, being depreciated	<u>188,635</u>	<u>-</u>	<u>-</u>	<u>188,635</u>
<i>Accumulated depreciation:</i>				
Furniture and equipment	(11,385)	(1,514)	-	(12,899)
Computer equipment	<u>(168,417)</u>	<u>(479)</u>	<u>-</u>	<u>(168,896)</u>
Total accumulated depreciation	<u>(179,802)</u>	<u>(1,993)</u>	<u>-</u>	<u>(181,795)</u>
Capital assets, net	<u>\$ 8,833</u>	<u>\$ (1,993)</u>	<u>\$ -</u>	<u>\$ 6,840</u>

**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 2014, the Academy contracted with Ohio Casualty for general liability and umbrella liability coverage as follows:

<u>Coverage</u>	<u>Limits of Coverage</u>
<i>General liability:</i>	
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
<i>Umbrella liability:</i>	
Each occurrence	1,000,000
Aggregate	1,000,000

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this coverage in any of the past three years. There were reductions in coverage in excess liability, workers compensation and employer's liability, and property insurance from fiscal year 2013 to 2014.

**B. Workers' Compensation**

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

**C. Insurance Benefits**

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

**NOTE 7 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$90,188, \$78,162 and \$69,716, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - PENSION PLANS - (Continued)**

**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](http://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.

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$102,091, \$114,025 and \$100,475, respectively; 94.47 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The Academy and the plan members did not make any contributions to the DC and Combined Plans for fiscal year 2014.

**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, 2014 certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$3,216, \$3,207 and \$4,849, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,232, \$4,415 and \$4,117, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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](http://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 2014, 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, 2014, 2013 and 2012 were \$7,853, \$8,771 and \$7,729, respectively; 94.47 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 9 - OPERATING LEASES**

The Academy entered into its seventh renewal term of an operating lease agreement with St. Francis Home, Inc. for classroom space commencing July 15, 2013 and terminating July 14, 2014. The annual cost of the lease for fiscal year 2014 was \$54,136. 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.

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - CONTRACTS - (Continued)**

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.

**B. Service Contract**

The Academy entered into a service contract with Charter School Specialists, LLC (CSS), for a period of twenty four months, commencing on July 1, 2012 and ending on June 30, 2014, for fiscal services, which includes treasurer services, payroll services, and check processing. The Academy paid CSS \$27,005 in service fees for fiscal year 2014.

**NOTE 11 - PURCHASED SERVICES**

For fiscal year 2014, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 151,527
Property services	26,525
Communcations	528
Utilities/Rent	54,478
Tuition	11,026
Pupil transportation services	<u>7,320</u>
 Total	 <u><u>\$ 251,404</u></u>

**BRIDGES COMMUNITY ACADEMY  
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 2014.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Academy receives significant financial assistance from numerous federal, State and local 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

**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. As a result of the fiscal year 2014 reviews, the Academy owes ODE \$42.

**NOTE 14 - RECEIVABLES**

Intergovernmental receivables at June 30, 2014 consisted of \$207 due related to the Race to the Top grant and \$21,734 of SERS refund. These receivables are expected to be collected in the subsequent year.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Bridges Community Academy, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bridges Community Academy's basic financial statements and have issued our report thereon dated December 12, 2014.

#### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Bridges Community Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors  
Bridges Community Academy

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
December 12, 2014

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# 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 08, 2015**