Bridges Community Academy

Seneca County, Ohio

Regular Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

BALESTRA, HARR & SCHERER, CPAs, Inc.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bridges Community Academy, Seneca County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 20, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Bridges Community Academy
Table of Contents
For the Fiscal Year Ended June 30, 2008

BALESTRA, HARR & SCHERER, CPAs, Inc.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

We have audited the financial statements of the business-type activities of the Bridges Community Academy (the Academy), as of and for the year ended June 30, 2008, which comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Academy, as of June 30, 2008, and the respective changes in financial position and cash flows there of, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 27, 2009

Bridges Community Academy
Seneca County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Our discussion and analysis of the Bridges Community Academy's (the Academy's) financial performance provides and overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- Total net assets at fiscal year end were $16,187 compared with $128,926 of total net assets reported in 2007. This represents a decrease of 87.4%. This decrease is primarily the result of an increase in payments to employees for services and benefits as well as a decrease in federal subsidies received during the year.

- In fiscal year 2008, total revenues increased by $58,988 and total expenses increased $140,763 over those reported in the prior year. Academy enrollment has increased by 11 from the prior year resulting in an increase in foundation receipts as well as an increase in the payroll and benefit expenditures related to providing services to those students.

- Total assets for fiscal year 2008 were $161,015, a 42.3% decrease over the prior year due to spending down of cash and investments on hand at year end.

Using this Financial Report

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

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

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

A comparative analysis of fiscal year 2008 and 2007 follows:

Net Assets

	2008	2007
Current Assets	$ 79,179	$ 187,828
Capital Assets, Net	81,836	91,068
Total Assets	161,015	278,896
Current Liabilities	144,828	149,970
Total Liabilities	144,828	149,970
Net Assets:		
Invested in Capital		
Assets, net of debt	81,836	91,068
Unrestricted	(65,649)	37,858
Total Net Assets	$ 16,187	$ 128,926

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

Net Assets of the Academy decreased $112,739. The decrease is related to an increase in wages and benefits expense as well as a decrease in federal subsidies received. Due to an increase in enrollment, the Academy added one certified and one classified staff member during 2008.

Changes in Net Assets

	2008	2007
Operating Revenues		
Foundation payments	$1,066,472	$887,897
Other Operating Revenues	32,800	14,152
Non-Operating Revenues:		
Investment Earnings	1,729	1,644
State subsidies	5,000	7,000
Federal subsidies	45,852	181,812
Total Revenues	1,151,853	1,092,865
Operating Expenses:		
Salaries & Wages	651,355	601,848
Fringe Benefits	282,994	224,582
Purchased Services	251,146	187,167
Materials & Supplies	27,773	69,968
Depreciation	31,600	30,468
Miscellaneous	19,724	9,796
Total Expenses	1,264,592	1,123,829
Change in Net Assets	$(112,739)	$ (30,964)

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

Capital Assets

The Academy has $81,836 invested in capital assets net of depreciation. Significant additions to the Academy's capital assets for the 2008 fiscal year were the purchase of $22,368 of computers and other furniture items. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

Restrictions and Other Limitations

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

The first challenge is the state economy. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

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

Contacting the Academy's Financial Management

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

Bridges Community Academy
Seneca County
Statement of Net Assets
as of June 30, 2008

Assets		
Current Assets		
Cash and Investments	$	79,054
Receivable - Accounts		125
Total Current Assets		79,179
Non-Current Assets		
Fixed assets (Net of Accumulated Depreciation)		81,836
Total Assets	$	161,015
Liabilities		
Current Liabilities		
Accounts Payable	$	5,525
Accrued Wages & Benefits		101,442
Intergovernmental Payable		37,861
Total Current Liabilities		144,828
Total Liabilities		144,828
Net Assets		
Invested in Capital Assets, Net of related Debt		81,836
Unrestricted		(65,649)
Total Net Assets		16,187

The accompanying Notes are an integral part of the Financial Statements

Bridges Community Academy
Seneca County
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
for the Fiscal Year ended June 30, 2008

Operating Revenues	
Foundation Payments	$ 1,066,472
Other Operating Revenues	32,800
Total Operating Revenues	1,099,272
Operating Expenses	
Salaries & Wages	651,355
Fringe Benefits	282,994
Purchased Services	251,146
Materials & Supplies	27,773
Depreciation	31,600
Miscellaneous	19,724
Total Operating Expenses	1,264,592
Operating Income	(165,320)
Non-Operating Revenues and (Expenses)	
Interest Earnings	1,729
State subsidies	5,000
Federal subsidies	45,852
Total Non-Operating Revenues and (Expenses)	52,581
Net Income	(112,739)
Net Assets Beginning of Year	128,926
Net Assets End of Year	$ 16,187

The accompanying Notes are an integral part of the Financial Statements

Bridges Community Academy
Seneca County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2008

Cash Flows from Operating Activities	
Cash received from Foundation Payments	$ 1,066,472
Cash received from Other Operating Revenues	32,805
Cash payments for personal services	(936,705)
Cash payments for goods and services	(301,429)
Net Cash Provided By/(Used for) Operating Activities	(138,857)
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	71,477
Net Cash from Noncapital Financing Activites	71,477
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(22,368)
Net Cash Used for Capital and Related Financing Activities	(22,368)
Cash Flows from Investing Activities	
Interest on cash and cash equivalents	1,729
Net cash from investing activites	1,729
Net increase in cash and cash equivalents :	(88,019)
Cash and cash equivalents at beginning of year	167,073
Cash and cash equivalents at end of yea	$ 79,054
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities	
Operating Income	(165,320)
Adjustments to Reconcile Operating Income to Ne Cash Provided by (Used for) Operating Activities	
Depreciation	31,600
Changes in Assets and Liabilities:	
Accounts Receivable	5
Accounts Payable	(2,786)
Accrued Wages and Benefits	(5,215)
Payable to State Pension Systems	2,859
Total Adjustments	26,463
Net cash provided (used) by operating activitie	$ (138,857)

The accompanying Notes are an integral part of the Financial Statements

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Bridges Community Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of 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, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the Academy.

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

The Academy operates under the direction of a five member Board of Trustees. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees control the Academy's instructional/support facility staffed by 19 certificated full time teaching personnel and 10 classified staff members who provide services to 155 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Budgetary Process

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

D. Cash

All monies received by the Academy are pooled and deposited in separate bank accounts in the Academy's name. For internal accounting purposes, the Academy segregates its cash.

E. Estimates

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

F. Capital Assets and Depreciation

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

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

Assets	Years
Furniture and Equipment	10
Computer equipment	5

\

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Amounts awarded under the above named programs for 2008 school year totaled $1,065,019.

H. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2008, including:

Wages Payable – a liability has been recognized at June 30, 2008 for salary payments made after year-end that were for services rendered in fiscal year 2008.

Intergovernmental Payable – payment for the employer's share of the retirement contribution ($30,403), worker's compensation ($6,296), and Medicare ($1,162) associated with services rendered during fiscal year 2008, but were not paid until the subsequent fiscal year.

I. Net Assets

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

3. DEPOSITS

At June 30, 2008, the carrying amount of all Academy deposits was $79,054. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, the Academy's entire bank balance of $91,271 was covered by the Federal Deposit Insurance Corporation and was not subject to custodial credit risk as discussed below.

3. DEPOSITS (Continued)

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

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

4. ACCOUNTS RECEIVABLES

Other receivables at June 30, 2008 consisted of $125 in school fees.

5. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2008, follows:

	Balance 7/1/07	Additions	Balance 6/30/07
Capital Assets being depreciated			
Furniture and Equipment	$ 12,560	$ 3,583	$ 16,143
Computer Equipment	148,913	18,785	167,698
Total capital assets being depreciated	161,473	22,368	183,841
Less: Accumulated Depreciation			
Furniture and Equipment	(724)	(1,504)	(2,228)
Computer Equipment	(69,681)	(30,096)	(99,777)
Total accumulated depreciation	(70,405)	(31,600)	(102,005)
Net Capital Assets	$ 91,068	$ (9,232)	$ 81,836

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. For fiscal year 2008, the Academy contracted with Indiana Insurance for property and for general liability insurance. There is a $500 deductible for both coverages.

6. RISK MANAGEMENT (Continued)

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

There has been no significant change in coverage from the prior year. Settled claims have not exceeded the commercial coverage for the past three years.

B. Worker's Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability 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.

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $19,342, $18,306 and $13,136 respectively; 64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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 Web site at www.strsoh.org.

7. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 the fiscal year ended June 30, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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, 2008, 2007, and 2006 were $71,092, $63,551, and $44,132 respectively; 100 percent has been contributed for fiscal year 2008, 2007, and 2006.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, no employees have elected social security.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were $8,826 and $8,272 respectively; 64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, and 2007 were $1,394 and $1,644 respectively; 64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal year 2007.

B. State Teachers Retirement System

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

8. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2008, 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, 2008 and 2007 were $5,469 and $4,889 respectively; 100 percent has been contributed for both years.

9. OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

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

10. FISCAL AGENT

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

· Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State

· Comply with the policies and procedures regarding internal financial control of the Academy

· Comply with the requirements and procedures for financial audits by the Auditor of State

The Academy entered into a contract with Ace Charter School Services, a division of Harris Software Corp. for fiscal services including school treasurer services, payroll services, and capital asset services. The total expense paid under this contract during fiscal year 2008 totaled $26,703.

11. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the Academy at June 30, 2008.

11. CONTINGENCIES (Continued)

B. Litigation

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

C. State Funding

The Ohio Department of Education conducts reviews of enrollment date and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state funding is calculated. The conclusions of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustment for fiscal year 2008 as a result of such review.

12. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2008, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$172,425
Property Services	65,634
Communications	8,659
Other Purchased Services	2,975
Total Purchased Services	$ 249,693

13. TAX EXEMPT STATUS

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

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants Ohio Society of Certified Public Accountants

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

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

We have audited the accompanying financial statements of the business-type activities of the Bridges Community Academy (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

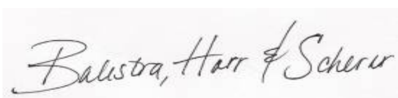
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies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

Members of the Board
Bridges Community Academy
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
Page 2

Compliance and Other Matters

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

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



Balestra, Harr & Scherer, CPAs, Inc.
February 27, 2009

Mary Taylor, CPA
Auditor of State

BRIDGES COMMUNITY ACADEMY

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 2, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us