

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

(DBA MILLENNIUM COMMUNITY SCHOOL)

Single Audit

For the Fiscal Year Ended June 30, 2006





Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio Achievement Charter Schools, Inc.
1850 Bostwick Road
Columbus, Ohio 43227

We have reviewed the *Independent Auditor's Report* of the Ohio Achievement Charter Schools, Inc., Franklin County, prepared by Kennedy Cottrell Richards, for the audit period July 1, 2005 through June 30, 2006. 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 Ohio Achievement Charter Schools, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2007

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THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
1850 Bostwick Road
Columbus, Ohio 43227

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the School'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 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 Ohio Achievement Charter Schools, Inc., Franklin County, Ohio, as of June 30, 2006, and the changes in its financial position and its cash flows, 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 June 26, 2007, on our consideration of the School'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. 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 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
June 26, 2007

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Our discussion and analysis of the Ohio Achievement Charter School's (School's) financial performance provides and overall review of the School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new 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

Net assets increased \$2,028 which represents an increase of .1% from 2005.

Revenues for fiscal year 2006 were \$4,982,720 a decrease of 6.6% from 2005.

Expenses for fiscal year 2006 were \$4,980,689 an increase of 1.7% from 2005

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 School's finances is, "Is the School 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 School 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 School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as state revenues, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

A comparative analysis of fiscal year 2006 and 2005 follows:

Net Assets

	<u>2006</u>	<u>2005</u>
Current Assets	\$ 688,910	\$ 782,234
Capital Assets, Net	<u>1,607,291</u>	<u>1,666,240</u>
Total Assets	2,296,201	2,448,474
Current Liabilities	616,502	669,695
Long Term Liabilities	<u>191,773</u>	<u>309,123</u>
Total Liabilities	808,275	978,818
Net Assets:		
Invested in Capital		
Assets, net of debt	1,298,168	1,246,854
Unrestricted	<u>173,519</u>	<u>222,802</u>
Total Net Assets	<u>\$1,471,687</u>	<u>\$1,469,656</u>

The largest portion of the School's net assets (87.2%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The School uses capital assets to provide services; consequently, these assets are not available for future spending. Although the School'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 School have increased \$18,270 and net assets reflect a healthy positive balance of \$189,758. The increase in net assets is primarily the result of reduction in the School's debt liability.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Sales	\$ 24,978	\$ 62,561
Foundation payments	4,238,276	4,304,838
Other Operating Revenues	10,874	30,490
Non-Operating Revenues:		
Investment Earnings	31,564	14,635
State subsidies	14,557	33,590
Federal subsidies	<u>662,471</u>	<u>891,086</u>
Total Revenues	4,982,720	5,337,200
Operating Expenses:		
Salaries & Wages	2,395,894	2,264,322
Fringe Benefits	836,201	951,255
Purchased Services	1,188,256	1,268,892
Materials & Supplies	268,566	165,481
Depreciation	95,266	91,565
Miscellaneous	159,304	110,477
Non-Operating Expenses:		
Interest expense	<u>37,202</u>	<u>50,078</u>
Total Expenses	4,980,689	4,902,070
Change in Net Assets	\$ 2,031	\$435,130

The School's revenues decreased in every area except for investment earnings. The decline is primarily due to decreased enrollment over the prior school year. The increase in expenditures is due to updating textbooks and continued staffing needs.

Capital Assets

The School has \$1,607,291 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

Debt

At June 30, 2006, the School had a balance of \$189,844 on a long-term note payable and \$119,280 of outstanding capital lease obligations. Note 10 to the basic financial statements summarizes the School's long-term liabilities

Budget

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Community School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School. The School has developed a five-year projection that is reviewed periodically by the Board of Trustees.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Restrictions and Other Limitations

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

The first challenge is the state economy. The School 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 School.

The second challenge facing the School is the future of state funding. On September 6, 2001 the Ohio Supreme Court found the Ohio School Funding system to be constitutional pending some modifications by the legislature. The District is unable to determine what effect, if any, this decision will have on future funding from the State.

The final challenge is the existence of the school in the future. An ongoing lawsuit filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was set for oral argument on November 18th, 2003. The case remains at the Court of Appeals at this time. The effect of this suit, if any, on the School is not presently determinable.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to show Graham's accountability for the money it receives. If you have questions about this report or need additional information contact the Treasurer of the Millennium Community School, 1850 Bostwick Road, Columbus, Ohio 43227.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2006

Assets

Current Assets

Cash and Investments	\$ 409,875
Receivable - Federal	262,796
Total Current Assets	<u>672,671</u>

Non-Current Assets

Fixed assets (Net of Accumulated Depreciation)	<u>1,607,291</u>
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Total Assets	<u><u>\$ 2,279,962</u></u>
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Liabilities

Current Liabilities

Accounts Payable	41,554
Accrued Wages & Benefits	321,444
Compensated Absences	15,526
Payable to State Pension Systems	120,628
Capital Leases Payable	64,772
Note Payable	52,578
Total Current Liabilities	<u>616,502</u>

Long-Term Liabilities

Capital Leases Payable	54,508
Note Payable	137,265
Total Long-Term Liabilities	<u>191,773</u>

Total Liabilities	<u>808,275</u>
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Net Assets

Invested in Capital Assets, Net of related Debt	1,298,168
Unrestricted	173,519
Total Net Assets	<u><u>\$ 1,471,687</u></u>

The accompanying Notes are an integral part of the Financial Statements

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Operating Revenues	
Sales	\$ 24,978
Foundation Payments	4,238,276
Other Operating Revenues	10,874
Total Operating Revenues	<u>4,274,128</u>
 Operating Expenses	
Salaries & Wages	2,395,894
Fringe Benefits	836,201
Purchased Services	1,188,256
Materials & Supplies	268,566
Depreciation	95,266
Miscellaneous	159,304
Total Operating Expenses	<u>4,943,487</u>
 Operating Income (Loss)	 (669,359)
 Non-Operating Revenues and (Expenses)	
Interest Earnings	31,564
State subsidies	14,557
Federal subsidies	662,471
Interest Expense	(37,202)
Total Non-Operating Revenues and (Expenses)	<u>671,390</u>
 Net Income	 2,031
 Net Assets Beginning of Year	 <u>1,469,656</u>
Net Assets End of Year	<u>\$ 1,471,687</u>

The accompanying Notes are an integral part of the Financial Statements

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cash Flows from Operating Activities

Cash received from sales	\$ 25,148
Cash received from Foundation Payments	4,238,276
Cash received from Other Operating Revenues	348,511
Cash payments for personal services	(3,313,516)
Cash payments for contract services	(1,190,016)
Cash payments for supplies and materials	(245,665)
Cash payments for Miscellaneous	(496,941)
Net Cash Provided By/(Used for) Operating Activities	<u>(634,203)</u>

Cash Flows from Noncapital Financing Activities

Cash from Federal & State Subsidies	<u>481,524</u>
Net Cash Provided By Noncapital Financing Activities	<u>481,524</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Asset Acquisitions	(36,317)
Payments for Principal on Debt	(110,263)
Payments for Interest and Fiscal Charges	(37,202)
Net Cash Used for Capital and Related Financing Activities	<u>(183,782)</u>

Cash Flows from Investing Activities

Interest on cash and cash equivalents	<u>31,564</u>
Net Cash Provided by Investing Activities	<u>31,564</u>

Net increase (decrease) in cash and cash equivalents:	(304,897)
Cash and cash equivalents at beginning of year	<u>714,772</u>
Cash and cash equivalents at end of year	<u><u>\$ 409,875</u></u>

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

Operating Income (Loss)	\$ (669,359)
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Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

Depreciation	95,266
Changes in Assets and Liabilities:	
Accounts Receivable	170
Accounts Payable	21,666
Accrued Wages and Benefits	(59,141)
Payable to State Pension Systems	(23,510)
Compensated Absences	705
Total Adjustments	<u>35,156</u>

Net cash provided (used) by operating activities	<u><u>\$ (634,203)</u></u>
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The accompanying Notes are an integral part of the Financial Statements

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Ohio Achievement Charter Schools, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through fifth grade. The School, 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 School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the school.

The School was originally approved for operation under contract with the Ohio Department of Education (the Sponsor). The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a six 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 School's instructional/support facility staffed by 28 non-certified and 34 certificated full time teaching personnel who provide services to 643 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 School 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 School has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its enterprise fund. The more significant of the School's accounting policies are described below.

A. BASIS OF PRESENTATION

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

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

D. CASH AND INVESTMENTS

All monies received by the School are pooled and deposited in a central bank account. All monies of the School are maintained in this account or temporarily used to purchase short term investments.

During fiscal year 2006, investments were limited to STAR Ohio and repurchase agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006. Repurchase agreements are valued at cost.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. CAPITAL ASSETS AND DEPRECIATION

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School 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 is depreciated using the straight line method over the following estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful live of the related fixed assets.

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Vehicles	10
Furniture and Equipment	10
Computer equipment	5

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

F. INTERGOVERNMENTAL REVENUE

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs 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 School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under the above named programs for the 2006 school year totaled \$4,915,304.

G. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees.

The School does not have a liability for sick benefits upon termination, therefore no liability is recognized.

H. OPERATING REVENUES AND EXPENSES

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are the necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. 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 those estimates.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

3. DEPOSITS AND INVESTMENTS

Deposits: The carrying value of the School's deposits totaled (\$166,693), and the bank balance totaled \$31,000 all of which was covered by federal depository insurance.

Investments of the School as of June 30, 2006 were as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity(Years)</u>
Repurchase Agreement	\$245,401	0.00
STAR Ohio	<u>331,167</u>	0.00
Total Investments	<u>\$576,568</u>	

Interest Rate Risk – The School's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The investments in STAR Ohio are rated AAAM by Standard & Poor's. The repurchase agreement is specifically pledged by a single security. The School places no limit on the amount that may be invested in any one issuer.

4. RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental receivables (federal grants) of \$262,796. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

5. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2006, follows:

	<u>Balance 7/01/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
Capital Assets being depreciated				
Building and Building Improvements	\$1,617,772	-	-	\$ 1,617,772
Furniture and Equipment	248,683	17,031	-	273,642
Computer Equipment	<u>135,240</u>	<u>19,286</u>	-	<u>146,598</u>
Subtotal	<u>2,001,695</u>	<u>36,317</u>	<u>-</u>	<u>2,038,012</u>
Accumulated Depreciation				
Building & Building Improvement	(143,982)	(43,095)	-	(187,077)
Furniture & Equipment	(96,000)	(28,160)	-	(124,160)
Computer Equipment	<u>(95,473)</u>	<u>(24,011)</u>	-	<u>(119,484)</u>
Subtotal	<u>(335,455)</u>	<u>(95,266)</u>	<u>-</u>	<u>(430,721)</u>
Net Fixed Assets	<u>\$1,666,240</u>	<u>(58,949)</u>	<u>-</u>	<u>\$1,607,291</u>

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

6. RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School 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 2006, the School contracted with Peerless Insurance Company for the following insurance coverage:

Commercial General Liability (per occurrence)	\$ 1,000,000
Commercial General Liability (aggregate)	\$ 2,000,000
Employee Benefits Liability (per employee)	\$ 1,000,000
Employee Benefits Liability (aggregate)	\$ 3,000,000
School Leader Errors and Omissions Liability (per occurrence)	\$ 1,000,000
School Leader Errors and Omissions Liability (aggregate)	\$ 1,000,000
Blanket Employee Dishonesty	\$ 50,000

B. WORKER'S COMPENSATION

The School 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

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

Plan members and the School are required to contribute 10 percent and 14 percent respectively, of their annual covered salary. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School's required contribution for pension obligations to SERS for the years ending June 30, 2006, 2005 and 2004 were \$176,351, \$163,197 and \$153,428 respectively. The School has contributed 66% for fiscal year 2006 and 100% for fiscal years 2005 and 2004. The School has contributed \$116,130 for fiscal year 2006, and the remainder due to SERS has been recorded as a payable to State Pension Systems.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

B. STATE TEACHERS RETIREMENT SYSTEM

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members and the School are required to contribute 10 percent and 14 percent respectively, of their annual covered salary. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligations to STRS for the years ending June 30, 2006, 2005 and 2004 were \$348,909, \$274,610 and \$241,698 respectively. The School has contributed 71% for fiscal year 2006 and 100% for fiscal years 2005 and 2004. The School has contributed \$247,436 for fiscal year 2006, and the remainder due to STRS has been recorded as a payable to State Pension Systems.

8. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 1.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled \$24,922 during fiscal year 2006. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. The Board currently allocates employer contributions equal to 3.42% of covered payroll to fund health care benefits. For the School, this amount equaled \$43,080 during fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. For the year ended June 30, 2005, the most recent year available, net assets available for payment of health care costs were \$267.5 million, and eligible benefit recipients totaled 58,123.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

9. OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 20 days of vacation per year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. All employees earn sick leave at the rate of one and one fourth days per month.

Sick leave may be accumulated up to 15 days. Upon retirement, no payment is made for accumulated unused sick leave.

B. INSURANCE BENEFITS

The School has contracted with a private carrier to provide employee health insurance. The School paid 100% of the monthly premium for fiscal year 2006, the total monthly premium was \$734 for family coverage and \$238 for single coverage.

10. LONG-TERM DEBT

A schedule of changes in long-term debt during the fiscal year follows:

<u>Description</u>	<u>Balance 7/1/2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2006</u>	<u>Due In One Year</u>
Park National Bank Note Payable 6.25%, matures 10/17/2010	\$ 238,876	\$ -	\$ (49,033)	\$ 189,843	\$ 52,578
Capital Leases Payable	180,510	-	(61,230)	\$ 119,280	64,772
Total	<u>\$ 419,386</u>	<u>\$ -</u>	<u>\$ (110,263)</u>	<u>\$ 309,123</u>	<u>\$ 117,350</u>

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

A. CAPITALIZED LEASES

During fiscal years ending 2005, 2004 and 2003, the School entered into capitalized leases for office equipment, buildings, food service equipment, a telephone system and a tractor. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded at the present value of future minimum lease payments as of the inception dates.

The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of June 30, 2006.

Fiscal Year Ending June 30,	
2007	76,993
2008	34,853
2009	21,228
2010	<u>3,538</u>
Total minimum lease payments	136,612
Less: interest	<u>17,332</u>
Present Value of minimum lease payments	<u>\$119,280</u>

B. NOTES PAYABLE

The Note payable for the school as of June 30, 2006 is as follows:

A promissory note was issued in Fiscal Year 2003 through Park National Bank. The note has a variable interest rate adjusted to the prime rate every October with the current rate being 6.25%. The proceeds from the note were used to pay off the capital lease of the modular buildings with Tatonka, Inc.

The annual requirement to amortize the outstanding note debt as of June 30, 2006, including interest, is as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2007	52,578	11,623
2008	56,378	7,823
2009	60,454	3,747
2010	<u>20,433</u>	<u>967</u>
Totals	<u>\$189,843</u>	<u>\$24,160</u>

11. OTHER LEASES

During fiscal year 2000, the School entered into a lease agreement with the Obermiller, LLC for approximately six acres of property and the building located at the School. The initial term of the lease commenced May 1, 2000. An additional five-year term was entered into on December 14, 2004 and was subsequently nullified on July 1, 2006. The total rent expense for fiscal year 2006 was \$82,915. The school entered into a new lease with Obermiller, LLC on July 1, 2006 for a period of 2 years. Future minimum payments required under the terms of the lease are as follows:

2007	\$174,000
2008	<u>174,000</u>
Total	<u>\$348,000</u>

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

12. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". As of the date of these financial statements, the School is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

13. CONTINGENCIES

A. GRANTS

The School 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 School at June 30, 2006.

B. LITIGATION

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case is set for oral argument on November 18th, 2003. On August 24, 2004 the Court of Appeals rendered a decision that Community Schools are part of the state education system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if and on the school is not presently determinable.

C. FULL-TIME EQUIVALENCY REVIEWS

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The School had its last FTE review performed on August 3, 2005.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

14. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2006, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$ 521,734
Property Services	213,402
Travel Mileage/Meeting Expense	50,481
Communications	51,669
Utilities	70,896
Contracted Craft or Trade Services	175,423
Other Purchased Services	104,651
Total Purchased Services	<u>\$1,188,256</u>

15. TAX EXEMPT STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on December 7, 1999. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

16. SPONSOR

The school contracted with the Lucas County Educational Service Center (LCESC) as its sponsor effective April 1, 2005. The school pays LCESC one percent of their total monthly foundation payments. Total fees for fiscal 2006 were \$31,621. The sponsor provides oversight, monitoring, and technical assistance for the school.

The contract with LCESC was nullified when the School entered into a new sponsorship contract with the Educational Resource Consultants of Ohio (ERCO) April 14, 2006 and ending on June 30, 2007. The school pays ERCO one percent of their total monthly foundation payments. Total fees for fiscal year 2006 were \$18,500. The sponsor provides oversight, monitoring, and technical assistance for the school.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	10.553	05PU-2005	\$ 7,720	\$ 7,720
		05PU-2006	32,999	32,999
			<u>40,719</u>	<u>40,719</u>
National School Lunch Program	10.555	LLP4-2005	18,933	18,933
		LLP4-2006	95,787	95,787
			<u>114,720</u>	<u>114,720</u>
Total U.S. Department of Agriculture			155,439	155,439
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through Ohio Department of Education:</i>				
Title I - Part A	84.010	C1S1-2005	62,017	63,125
Title I - Part A		C1S1-2006	96,411	171,614
Title I - School Improvement Program		C1SK-2005	21,812	22,964
Title I - School Improvement Program		C1SK-2006	22,638	34,938
			<u>202,878</u>	<u>292,641</u>
Special Education Cluster:				
Title VI-B - Special Education Grants to States	84.027	6BSF-2005	10	1,100
		6BSF-2006	66,087	97,517
			<u>66,097</u>	<u>98,617</u>
IDEA Part B - Special Education Preschool Grants	84.173	PGS1-2006	274	-
Total Special Education Cluster			66,371	98,617
Title IV - Safe and Drug-Free Schools and Communities	84.186	DRS1-2005	-	1,858
		DRS1-2006	630	-
			<u>630</u>	<u>1,858</u>
Title V - Innovative Education Program	84.298	C2S1-2005	(1,835)	-
		C2S1-2006	1,835	1,835
			<u>-</u>	<u>1,835</u>
Title II-D - Education Technology State Grants	84.318	TJS1-2005	2,607	2,715
		TJS1-2006	809	-
			<u>3,416</u>	<u>2,715</u>
Title II-A - Improving Teacher Quality	84.367	TRS1-2006	38,230	53,629
Total U.S. Department of Education			<u>311,525</u>	<u>451,295</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 466,964</u>	<u>\$ 606,734</u>

The accompanying notes are an integral part of this statement.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Note 1. Basis of Presentation

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

INDEPENDENT AUDITOR'S 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

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
1850 Bostwick Road
Columbus, Ohio 43227

To the Board of Trustees:

We have audited the basic financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), as of and for the year ended June 30, 2006, and have issued our report thereon dated June 26, 2007. 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 School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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 one instance of noncompliance or other matters required to be reported under *Government Auditing Standards*. The noncompliance is described in the accompanying schedule of findings as item 2006-001.

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
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

We also noted certain additional matters that we reported to management of the School in a separate letter dated June 26, 2007.

This report is intended for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC
June 26, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
1850 Bostwick Road
Columbus, Ohio 43227

To the Board of Trustees:

Compliance

We have audited the compliance of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

As discussed in finding 2006-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the School's compliance with the Reporting requirements of its Nutrition Cluster program, nor were we able to satisfy ourselves as to the School's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School's compliance with the Reporting requirements of its Nutrition Cluster program, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

The results of our auditing procedures disclosed another instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2006-004.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not consider the reportable condition described above to be a material weakness.

This report is intended for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC
June 26, 2007

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA 10.553, 10.555 Title I – Grants to Local Educational Agencies CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2006

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2006-001
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Noncompliance: Maintenance of Records

Ohio Administrative Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

In our testing of disbursements, we noted that for seven out of the 60 transactions we tested, the School could not provide documentation to support the expenditure. The amount of these seven transactions totaled \$1,130. In addition, to obtain supporting documentation for several of the other transactions we tested, the School had to contact the vendor.

Additionally, we noted that the School was unable to provide adequate support documentation such as classroom rosters for its food service receipts posted to the sales revenue line item. For 2006, food service revenues totaled \$9,195.

As a result, the School is unable to ensure that the amounts it collects and disburse for various activities are properly recorded, deposited, and expended for proper purposes. We recommend the Board and management implement policies and procedures to ensure that the School's accounting records are maintained in a sufficient and organized manner to maintain financial accountability and document compliance with legal requirements.

Officials' Response

We did not receive a response from Officials to this finding,

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2006

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Title and Number	<u>Nutrition Cluster:</u> School Breakfast Program – CFDA 10.553 National School Lunch Program – CFDA 10.555
Federal Award Number / Year	05PU-2005, 05PU-2004, LLP4-2004, LLP4-2005
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education
Finding Number	2006-002

Noncompliance: Reporting

Questioned Cost: \$155,940

7 CFR 210.8(a) provides, in part, that the School Food Authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by the school; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts which suggest the likelihood of lunch counting problems.

Though the School has written internal control procedures over their lunch counting system, the procedures were not adhered to. Because of the following, the School was unable provide accurate documentation to support the amounts on the monthly Claims for Reimbursement.

- The School did not ensure that the number of free and reduced breakfast/lunches claimed for reimbursement represents an accurate reflection of approved applications and daily attendance.
- The School did not ensure that the monthly Claims for Reimbursement correctly indicated the number of free and reduced applicants as compared to the approved applications on file.
- The School did not ensure that the Daily Meal Counts agreed with the amounts reported on the monthly Claims for Reimbursement.

Because of these weaknesses, we were not able to obtain supporting documentation to verify that the School's monthly claims for reimbursement were accurate or complete. Thus, the total amount expended for the program during the year, \$155,940, will be a questioned cost.

We recommend the School ensure that breakfast and lunch counts reported on the monthly Claims for Reimbursement are adequately supported by and reconciled to the attendance and lunchroom records.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2006

CFDA Title and Number	<u>Nutrition Cluster:</u> School Breakfast Program – CFDA 10.553 National School Lunch Program –CFDA 10.555
Federal Award Number / Year	05PU-2005, 05PU-2004, LLP4-2004, LLP4-2005
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education
Finding Number	2006-003

Reportable Condition: Reporting

The Ohio Department of Education's (ODE) Claims Reimbursement and Reporting System (CRRS) and the CRRS User Manual requires that schools participating in ODE sponsored federal nutrition programs submit meals served and financial data for each month of food service operations. The required financial data includes food service inventory cost and labor and other cost data. The CRRS User Manual provides that such cost information should be provided for the respective claiming period.

The School was unable to provide accurate documentation to support any breakfast and lunch counts or amounts collected.

We recommend the School ensure that the financial information reported on the monthly Claims for Reimbursement is adequately supported by the accounting records and that all support documentation is maintained.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2006

CFDA Title and Number	<u>Title 1</u> Grants to Local Education Agencies - CFDA 84.010
Federal Award Number / Year	C1S1 -2003, C1S1 – 2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2006-004

Noncompliance: Federal Payroll Documentation

OMB Circular A-87, Attachment B, Section 8(h)(3), states, in part:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Furthermore, OMB Circular A-87, Attachment B, Section 8(h)(4), states, in part:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation....Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

For nine out of the 21 employees that were charged to the grant during the year, the School either did not prepare the required semi-annual certifications for those personnel who were paid solely from Title I funds, or they did not utilize timesheets that documented time devoted to federal grants by personnel who worked on multiple federal and/or non-federal activities

Without such documentation, the risk is increased that salaries and related fringe benefits could be inappropriately charged to a federal grant program. The total payroll charges to the Title I grant for fiscal year 2006 were \$146,306.

We recommend that the School assign a supervisory official having first hand knowledge of the work performed by grant employees to prepare semi-annual certifications documenting which employees worked solely on one grant program. Also the School should begin utilizing timesheets that document the distribution of time between multiple federal grant activities.

Officials' Response and Corrective Action Plan

Officials informed us they will submit a Corrective Action Plan regarding the preceding Federal findings to the Federal Clearinghouse.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2006

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2005-001	Maintenance of Records	No	Not corrected. Reported as finding number 2006-001.
2005-002	Eligibility for School Breakfast and Lunch Programs	Yes	
2005-003	Monthly claim for reimbursement reporting	No	Not corrected. Reported as finding number 2006-002.
2005-004	Ohio Department of Education Reporting	No	Not corrected. Reported as finding number 2006-003
2005-005	Lack of proof of eligibility for Title I	Yes	
2005-006	Federal Payroll Documentation	No	Not corrected. Reported as finding number 2006-004.



Mary Taylor, CPA
Auditor of State

OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2007**