

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO
(dba MILLENNIUM COMMUNITY SCHOOL)**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Ohio Achievement Charter Schools, Inc.
dba Millennium Community School
3500 Refugee Road
Columbus, Ohio 43232

We have reviewed the *Independent Auditor's Report* of the Ohio Achievement Charter Schools, Inc. dba Millennium Community School, Franklin County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. 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. dba Millennium Community School is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 13, 2018

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THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO
(dba MILLENNIUM COMMUNITY SCHOOL)
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
The Ohio Achievement Charter Schools, Inc.
dba Millennium Community School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the The Ohio Achievement Charter Schools, Inc. dba Millennium Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the The Ohio Achievement Charter Schools, Inc. dba Millennium Community School as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the School'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 11, 2017

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THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2017

(Unaudited)

The discussion and analysis of the Ohio Achievement Charter Schools, Inc. (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2017. 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 the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the Ohio Achievement Charter Schools, Inc. during fiscal year 2017 are as follows:

- Total net position of the School increased \$319,785 in fiscal year 2017. Ending net position of the School was (\$4,802,035) compared to (\$5,121,820) at June 30, 2016.
- Total assets increased \$5,357,933 from the prior year and total liabilities increased by \$5,893,982 during this same 12-month period.
- The School's operating loss for fiscal year 2017 was \$483,747 compared with an operating loss of \$1,064,104 reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2017

(Unaudited)

Table 1 provides a summary of the School's net position for fiscal year 2017 compared to those reported for fiscal year 2016.

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 716,552	\$ 1,136,140
Capital assets, net	<u>6,259,313</u>	<u>481,792</u>
Total Assets	<u>6,975,865</u>	<u>1,617,932</u>
Deferred Outflows of Resources:		
Pensions	<u>1,353,439</u>	<u>709,823</u>
Liabilities		
Current liabilities	670,188	395,824
Non-current liabilities	<u>11,679,271</u>	<u>6,059,653</u>
Total Liabilities	<u>12,349,459</u>	<u>6,455,477</u>
Deferred Inflows of Resources:		
Pensions	<u>781,880</u>	<u>994,098</u>
Net Position:		
Net investment in capital assets	1,302,608	481,792
Restricted	14,706	11,791
Unrestricted	<u>(6,119,349)</u>	<u>(5,615,403)</u>
Total Net Position	<u>\$ (4,802,035)</u>	<u>\$ (5,121,820)</u>

Current Assets decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of a decrease in cash and cash equivalents related to the approximate \$825,000 down payment for the purchase of the building. The significant increase in capital assets is also due to the purchase of the building located at 3500 Refugee Road, Columbus, Ohio.

Deferred Outflows of Resources, Net Pension Liability (the most significant component of Non-current Liabilities), and Deferred Inflows of Resources all changed significantly in comparison with the prior fiscal year-end. These changes are primarily the result of a change in actuarial assumptions and the difference between expected and actual investment returns, as reported by the pension systems.

Current Liabilities increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of the recognition of the amounts due within a year on the new mortgage and the unsecured loan related to the purchase of the office building.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2017

(Unaudited)

Non-current Liabilities increased significantly as a result of the recognition of the long-term portion of the mortgage and the unsecured loan related to the purchase of the office building.

Total net position increased by \$319,785 during the fiscal year. The following demonstrates the details of this change.

Table 2
Change in Net Position

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Foundation payments	\$ 4,370,156	\$ 4,129,728
Other operating revenues	<u>180,198</u>	<u>176,843</u>
Total Operating Revenues	<u>4,550,354</u>	<u>4,306,571</u>
Operating Expenses:		
Salaries & Wages	2,435,299	2,343,350
Fringe benefits	712,362	596,847
Purchased services	1,323,386	2,016,834
Materials and supplies	291,175	305,624
Depreciation	160,463	65,140
Other	<u>111,416</u>	<u>42,880</u>
Total Operating Expenses	<u>5,034,101</u>	<u>5,370,675</u>
Non Operating Revenues/(Expenses):		
Investment earnings	1,177	2,389
State subsidies	5,955	8,978
Federal subsidies	1,016,307	965,292
Other	3,325	32,549
Interest expense	<u>(223,232)</u>	<u>-</u>
Total Non-Operating Revenues/(Expenses)	<u>803,532</u>	<u>1,009,208</u>
Change in Net Position	319,785	(54,896)
Net Position, beginning of year	<u>(5,121,820)</u>	<u>(5,066,924)</u>
Net Position, end of year	<u>\$ (4,802,035)</u>	<u>\$ (5,121,820)</u>

Total Operating Expenses decreased significantly in comparison with the prior fiscal year and Interest expense increased significantly. These fluctuations are the result of the School financing the purchase of the building and the fact that rent payments were not made for most of the fiscal year.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2017

(Unaudited)

Capital Assets

At the end of fiscal year 2017, the School had \$6,259,313 invested in land, buildings, leasehold improvements, and furniture, fixtures and equipment, an increase of \$5,777,521 in comparison with the prior fiscal year. As noted above, the significant increase in capital assets is the result of the purchase of the building located at 3500 Refugee Road, Columbus, Ohio. See Note 5 of the basic financial statements for additional details.

Debt

At June 30, 2017, the School had a total of \$4,956,705 of debt outstanding related to the purchase of the building. The debt consists of a mortgage and an unsecured loan in the amounts of \$4,616,332 and \$340,373, respectively. See Note 7 of the basic financial statements for additional details.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Ohio Achievement Charter Schools, Inc. and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of the Ohio Achievement Charter Schools, Inc., 6640 Poe Avenue, Suite 400, Dayton, Ohio 45414.

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

STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Assets:	
Current Assets	
Cash and Cash Equivalents	\$ 561,645
Intergovernmental Receivable	148,188
Accounts Receivable	4,653
Prepaid Items	2,066
Total Current Assets	<u>716,552</u>
Noncurrent Assets	
Nondepreciable Capital Assets	306,503
Capital Assets, Net of Accumulated Depreciation	5,952,810
Total Noncurrent Assets	<u>6,259,313</u>
Total Assets	<u><u>\$ 6,975,865</u></u>
Deferred Outflows of Resources:	
Pension	1,353,439
Total Deferred Outflows of Resources	<u>1,353,439</u>
Liabilities:	
Current Liabilities	
Accounts Payable	\$ 70,169
Accrued Wages and Benefits Payable	330,678
Intergovernmental Payable	59,603
Mortgage Payable	135,840
Loan Payable	73,898
Total Current Liabilities	<u>670,188</u>
Non-current Liabilities:	
Mortgage Payable	4,480,492
Loan Payable	266,475
Net Pension Liability	6,932,304
Total Non-current Liabilities	<u>11,679,271</u>
Total Liabilities	<u>12,349,459</u>
Deferred Inflows of Resources:	
Pension	781,880
Total Deferred Inflows of Resources	<u>781,880</u>
Net Position:	
Net Investment in Capital Assets	1,302,608
Restricted	14,706
Unrestricted	(6,119,349)
Total Net Position	<u><u>(4,802,035)</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenues:	
Foundation Payments	\$ 4,370,156
Other Unrestricted Grants	143,847
Miscellaneous Revenue	36,351
Total Operating Revenues	4,550,354
 Operating Expenses:	
Salaries and Wages	2,435,299
Fringe Benefits	712,362
Purchased Services	1,323,386
Materials and Supplies	291,175
Depreciation	160,463
Other	111,416
Total Operating Expenses	5,034,101
Operating Loss	(483,747)
 Non-Operating Revenues (Expenses):	
Federal subsidies	1,016,307
State subsidies	5,955
Interest Earnings	1,177
Other	3,325
Interest expense	(223,232)
Total Non-Operating Revenues (Expenses)	803,532
Change in Net Position	319,785
Net Position, Beginning of Year	(5,121,820)
Net Position, End of Year	\$ (4,802,035)

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities:	
Cash Received from Foundation Payments	\$ 4,298,823
Cash Received from Other Unrestricted Grants	143,847
Cash Payments for Personal Services	(3,046,277)
Cash Payments for Purchased Services	(1,325,288)
Cash Payments for Supplies and Materials	(277,150)
Cash Payments for Miscellaneous	(58,690)
Cash Received from Miscellaneous Revenues	35,509
Net Cash Used for Operating Activities	<u>(229,226)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Subsidies	1,019,847
Cash Received from Other Nonoperating Revenue	3,325
Net Cash Provided by Noncapital Financing Activities	<u>1,023,172</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Acquisition of Building	(5,927,425)
Payments for Capital Acquisitions	(10,559)
Payments of Principal on Capital Debt	(183,295)
Payments for Interest on Capital Acquisitions	(223,232)
Proceeds from Loans for Building Purchase	5,140,000
Net Cash Used for Capital and Related Financing Activities	<u>(1,204,511)</u>
Cash Flows from Investing Activities:	
Interest on Cash and Cash Equivalents	1,177
Net Cash Provided by Investing Activities	<u>1,177</u>
Net Decrease in Cash and Cash Equivalents	(409,388)
Cash and Cash Equivalents at Beginning of Year	<u>971,033</u>
Cash and Cash Equivalents at End of Year	<u>\$ 561,645</u>

See accompanying notes to the basic financial statements.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (483,747)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities	
Depreciation	160,463
Changes in Assets and Liabilities	
Accounts Receivable	(4,291)
Prepaid Items	22,833
Intergovernmental Receivable	(19,927)
Deposits Held by Others	14,000
Accounts Payable	31,343
Intergovernmental Payable	(31,516)
Accrued Wages	64,799
Net Pension Liability	16,817
Net Cash Used for Operating Activities	<u>\$ (229,226)</u>

See accompanying notes to the basic financial statements.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. Description of the School and Reporting Entity:

The 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 eighth grade. The School, which is part of the State's education program, is independent of any school district and is non-sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the Ohio State Board of Education (the Sponsor). The sponsorship contract was subsequently transferred to the Educational Resource Consultants of Ohio (ERCO) when the Ohio State Board of Education was no longer eligible to sponsor community schools. 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). 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 controls the School's instructional/support facility staffed by 17 non-certified and 47 certificated full-time teaching personnel who provide services to 576 students.

2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America 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 more significant of the School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued):

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The difference between total assets and deferred outflows of resources and liabilities and deferred inflows of resources are defined as net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

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 utilized for reporting purposes. Revenues are recognized when they are 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 budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does not prescribe an annual budgetary process for the School.

D. Cash and Cash Equivalents

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 the fiscal year, the School invested in STAR Ohio (the State Treasury Asset Reserve of Ohio). 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. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants", the School measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis, which approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued):

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$500. 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.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings	30 years
Building Improvements	20 years
Furniture, Fixtures, and Equipment	10 years
Computer Equipment	5 years

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions. These deferred outflows of resources related to pensions are explained in Note 8.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This deferred inflow of resources related to pension is explained in Note 8.

G. 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.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued):

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and other miscellaneous revenues comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. Intergovernmental Revenues

The School is a participant in the State Foundation Program. In addition, the State distributes among all public schools, a percentage of proceeds received from the tax on gross casino revenue, to be used to support primary and secondary education. Foundation funding and casino revenues are both recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year received. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

J. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Wages and Benefits payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2017 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2017 that were paid in the subsequent fiscal year.

K. Unearned Revenue

If the School receives restricted funds that were not spent by the end of the fiscal year, the amount received is classified as unearned revenue and is carried over to the next fiscal year and repaid if not spent. There was no unearned revenue as of June 30, 2017.

L. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2. Summary of Significant Accounting Policies (Continued):

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, less any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the School at year-end represents unspent federal and state grant resources for specific instructional programs.

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

3. Deposits and Investments:

Deposits: The carrying value of the School's deposits totaled \$559,919 and the bank balance totaled \$583,709. Of the School's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

Investments of the School as of June 30, 2017 were as follows:

<u>Investments</u>	<u>NAV Amount</u>
STAR Ohio	\$ 1,726

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

3. Deposits and Investments (Continued):

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the School does not have any fair value investments.

In accordance with GASB Statement No. 79, the School's investment in STAR Ohio is reported at net asset value. For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

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 School places no limit on the amount that may be invested in any one issuer.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Receivables at June 30, 2017 consisted of federal grants and overpayments to the retirement systems.

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ -	\$ 306,503	\$ -	\$ 306,503
Total capital assets, not being depreciated	-	306,503	-	306,503
<i>Capital assets, being depreciated:</i>				
Buildings	675,918	5,620,922	-	6,296,840
Furniture and Equipment	301,224	9,399	-	310,623
Computer Equipment	202,049	1,160	-	203,209
Vehicles	7,000	-	-	7,000
Total capital assets, being depreciated	1,186,191	5,631,481	-	6,817,672
Less Accumulated Depreciation:				
Buildings	(288,301)	(131,087)	-	(419,388)
Furniture and Equipment	(243,490)	(14,248)	-	(257,738)
Computer Equipment	(170,158)	(14,428)	-	(184,586)
Vehicles	(2,450)	(700)	-	(3,150)
Total accumulated depreciation	(704,399)	(160,463)	-	(864,862)
Depreciable Capital Assets, Net	481,792	5,471,018	-	5,952,810
Total Capital Assets, Net	\$ 481,792	\$ 5,777,521	\$ -	\$ 6,259,313

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 the year ended June 30, 2017, the School contracted with Liberty Mutual Insurance for its insurance coverage as follows:

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

There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

B. Workers' Compensation

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

7. Long-Term Obligations

Changes in the School's long-term obligations during the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2016 Mortgage payable	\$ -	\$4,740,000	\$(123,668)	\$ 4,616,332	\$ 135,840
2016 Unsecured loan payable	-	400,000	(59,627)	340,373	73,898
Total Loans Payable	-	5,140,000	(183,295)	4,956,705	209,738
Net Pension Liability	6,059,653	872,651	-	6,932,304	-
Total Long-term Liabilities	<u>\$6,059,653</u>	<u>\$6,012,651</u>	<u>\$(183,295)</u>	<u>\$11,889,009</u>	<u>\$ 209,738</u>

2016 Mortgage payable: On September 19, 2016 the School issued a mortgage loan in the amount of \$4,740,000 with a variable interest rate set at the yield on the 20-year U.S. Treasury bond rate, plus 350 basis points to be repaid over 20 years. The interest rate on the date of closing was 5.60%. The loan was issued to purchase the building the School previously rented.

2016 Unsecured Loan Payable: On September 19, 2016 the School issued an unsecured loan in the amount of \$400,000 with an interest rate of 6.25% to be repaid over 5 years. The loan was also used to purchase the building the School previously rented.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

7. Long-Term Obligations (Continued):

The debt-service-to-maturity requirements for the above loans are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 209,738	\$ 278,108	\$ 487,846
2019	222,476	265,370	487,846
2020	235,291	252,555	487,846
2021	250,286	237,560	487,846
2022	184,944	224,263	409,207
2023-2027	1,012,042	960,407	1,972,449
2028-2032	1,343,256	629,194	1,972,450
2033-2037	1,498,672	193,392	1,692,064
Total	<u>\$ 4,956,705</u>	<u>\$ 3,040,849</u>	<u>\$ 7,997,554</u>

8. Defined Benefit Pension Plans:

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School’s obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable*.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – School non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent, and nothing was allocated to the Health Care Fund.

The School’s contractually required pension contribution to SERS was \$78,378 for fiscal year 2017.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11.5 of the 13.0 percent member rates go to the DC Plan and 1.5 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School's contractually required contribution to STRS was \$262,564 for fiscal year 2017. Of this amount, \$50,168 is reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability 2017	\$1,535,550	\$5,396,754	\$6,932,304
Proportion of the Net Pension Liability - 2017	0.0209801%	0.0161227%	
Proportion of the Net Pension Liability - 2016	<u>0.0237517%</u>	<u>0.01702191%</u>	
Change in Proportionate Share	<u>-0.002772%</u>	<u>-0.000899%</u>	
Pension Expense	\$164,271	\$193,488	\$357,759

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$20,713	\$218,053	\$238,766
Difference between projected and actual investment earnings	126,660	448,077	574,737
Changes of assumptions	102,506	-	102,506
Change in proportionate share	96,488	-	96,488
School contributions subsequent to the measurement date	<u>78,378</u>	<u>262,564</u>	<u>340,942</u>
Total Deferred Outflows of Resources	<u>\$424,745</u>	<u>\$928,694</u>	<u>\$1,353,439</u>
Deferred Inflows of Resources			
Change in proportionate share	<u>\$101,825</u>	<u>\$680,055</u>	<u>\$781,880</u>
Total Deferred Inflows of Resources	<u>\$101,825</u>	<u>\$680,055</u>	<u>\$781,880</u>

\$340,942 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$70,392	(\$98,296)	(\$27,904)
2019	76,189	(98,292)	(22,103)
2020	51,069	73,644	124,713
2021	<u>46,892</u>	<u>109,019</u>	<u>155,911</u>
Total	<u>\$244,542</u>	<u>(\$13,925)</u>	<u>\$230,617</u>

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination).

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016 are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

The RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluation allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School's proportionate share of the net pension liability	\$2,032,972	\$1,535,550	\$1,119,186

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61%</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

8. Defined Benefit Pension Plans (Continued):

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School's proportionate share of the net pension liability	\$7,171,847	\$5,396,754	\$3,899,358

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumptions changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School's net pension liability is expected to be significant.

G. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

9. Post-employment Benefits:

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

9. Post-employment Benefits (Continued):

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

School contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$2,355, \$3,434 and \$10,800, respectively. The entire amount has been contributed for fiscal years 2016 and 2015. For fiscal year 2017, the entire amount is reported as intergovernmental payable.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

Plan Description – The School participates in the cost sharing multiple-employer defined benefit Health Plan (“the Plan”) administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employee contributions. For fiscal year 2017, STRS did not allocate any employee contributions for post-employment health care.

The School's contractually required health care contributions to STRS for fiscal years 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively. The entire amount has been contributed for each fiscal year.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

10. Restricted Net Position:

At fiscal year-end, the School reported restricted net position totaling \$14,706. This balance represents the unspent portion of federal specific educational program grants.

11. Contingencies:

A. Grants

The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the School at June 30, 2017, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

B. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2017 and determined the School was underpaid by \$20,435. This amount is reported as intergovernmental receivable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

In addition, the School's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

12. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform the following functions for the School:

1. Financial Management Services
2. Treasurer Services
3. Payroll / Payables Services
4. CCIP Budget / Federal Programs Monitoring
5. EMIS / DASL / SOES Services

Payments to M&A during fiscal year 2017 totaled \$201,303.

13. Operating Leases:

A. Obermiller LLC

During fiscal year 2000, the School entered into a lease agreement with Obermiller, LLC for approximately six acres of property and the building located at 1850 Bostwick Road, Columbus, Ohio 43227. The initial term of the lease commenced on May 1, 2000 and ended on June 30, 2006. An additional two-year lease commenced July 1, 2006 and ended on June 30, 2008. A month-to-month lease commenced October 1, 2008. Total rent expense for fiscal year 2017 was \$36,000.

B. Millennium Charter School Development

During fiscal year 2009, the School entered into a lease agreement with Millennium Charter School Development for property and the building located at 3500 Refugee Road, Columbus, Ohio 43232. The initial term of the lease commenced April 20, 2009. The term of the lease is 20 years auto-renewing every 12 months. Six months' written notice is needed to not renew the lease. Total rent paid during fiscal 2017 was \$167,714. On September 19, 2016 the School purchased the building from Millennium Charter School Development. See Notes 5 and 7 for additional details regarding the purchase and the related financing.

C. ComDoc

The School has entered into a lease agreement with ComDoc for the lease of five copiers with accessories. The term of the lease was 36 months and commenced on September 23, 2014, with required payments of \$1,995 per month. Lease payments during the fiscal year totaled \$23,940.

14. Sponsor:

Since April 24, 2006, the School has contracted with Educational Resource Consultants of Ohio (ERCO) to provide sponsorship services. The School pays ERCO 3% of monthly foundation payments. Payments under this contract for fiscal year 2017 totaled \$130,463. The sponsor provides oversight, monitoring, treasury and technical assistance for the School.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

15. Change in Accounting Principles:

For fiscal year 2017, the School implemented *GASB Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”* which improves the usefulness of information about postemployment benefits other than pensions. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 77 “Tax Abatement Disclosures”* which improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”* which amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* which amends the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the School.

For fiscal year 2017, the School implemented *GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73”* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the School.

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

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion of the Net Pension Liability	0.0209801%	0.0237517%	0.020055%	0.020055%
School's Proportionate Share of the Net Pension Liability	\$ 1,535,550	\$ 1,355,295	\$ 1,014,972	\$ 1,192,607
School's Covered-Employee Payroll	\$ 630,496	\$ 967,269	\$ 584,821	\$ 699,196
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	243.55%	140.12%	173.55%	170.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School's measurement date, which is the prior fiscal year-end.

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

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion of the Net Pension Liability	0.01612270%	0.01702191%	0.019797%	0.019797%
School's Proportionate Share of the Net Pension Liability	\$ 5,396,754	\$ 4,704,358	\$ 4,815,294	\$ 5,735,946
School's Covered-Employee Payroll	\$ 1,712,854	\$ 1,988,814	\$ 2,052,611	\$ 1,716,375
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	315.07%	236.54%	234.59%	334.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School's measurement date, which is the prior fiscal year-end.

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

SCHEDULE OF SCHOOL CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 78,378	\$ 88,269	\$ 127,486	\$ 81,057	\$ 96,769	\$ 96,004	\$ 80,082	\$ 81,420	\$ 44,495	\$ 147,309
Contributions in relation to the contractually required contribution	\$ 78,378	\$ 88,269	\$ 127,486	\$ 81,057	\$ 96,769	\$ 96,004	\$ 80,082	\$ 81,420	\$ 44,495	\$ 147,309
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 559,845	\$ 630,496	\$ 967,269	\$ 584,821	\$ 699,196	\$ 713,784	\$ 637,088	\$ 601,329	\$ 452,185	\$ 1,500,092
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 262,564	\$ 239,800	\$ 278,434	\$ 266,839	\$ 223,129	\$ 206,022	\$ 199,890	\$ 155,829	\$ 170,349	\$ 259,928
Contributions in relation to the contractually required contribution	\$ 262,564	\$ 239,800	\$ 278,434	\$ 266,839	\$ 223,129	\$ 206,022	\$ 199,890	\$ 155,829	\$ 170,349	\$ 259,928
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,875,455	\$ 1,712,854	\$ 1,988,814	\$ 2,052,611	\$ 1,716,375	\$ 1,584,782	\$ 1,537,615	\$ 1,198,685	\$ 1,310,377	\$ 1,999,446
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to Schedules of Required Supplementary Information

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions used in this calculation.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO
dba MILLENNIUM COMMUNITY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/ <i>Pass-Through Grantor/</i> Program or Cluster Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
<i>Passed through the Ohio Department of Education</i>		
<i>Child Nutrition Cluster</i>		
School Breakfast Program (SBP)	10.553	\$ 92,662
National School Lunch Program (NSLP)	10.555	239,310
<i>Total Child Nutrition Cluster</i>		<u>331,972</u>
Total U.S. Department of Agriculture		<u>331,972</u>
<u>U.S. Department of Education</u>		
<i>Passed through the Ohio Department of Education</i>		
Title I-Grants to Local Educational Agencies - Sub A	84.010	37,391
Title I-Grants to Local Educational Agencies - Consolidated	84.010	504,572
<i>Total CFDA #84.010</i>		<u>541,963</u>
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States	84.027	132,797
<i>Total Special Education Cluster (IDEA)</i>		<u>132,797</u>
Total U.S. Department of Education		<u>674,760</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,006,732</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO
dba MILLENNIUM COMMUNITY SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Ohio Achievement Charter Schools, Inc., dba Millennium Community School (the School) under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2. U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Ohio Achievement Charter Schools, Inc. dba Millennium Community School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Ohio Achievement Charter Schools, Inc. dba Millennium Community School.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Ohio Achievement Charter Schools, Inc., dba Millennium Community School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes federal monies are expended first.

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
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**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**

To the Members of the Board
The Ohio Achievement Charter Schools, Inc.
dba Millennium Community School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the 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, the financial statements of the The Ohio Achievement Charter Schools, Inc. dba Millennium Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 11, 2017

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of the Board
The Ohio Achievement Charter Schools, Inc.
dba Millennium Community School
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the The Ohio Achievement Charter Schools, Inc. dba Millennium Community School, Franklin County, Ohio's (the School) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the School's major federal program for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the The Ohio Achievement Charter Schools, Inc. dba Millennium Community School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 11, 2017

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO
dba MILLENNIUM COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2017(v)	Type of Major Program's Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list):	
	Child Nutrition Cluster - CFDA #10.553 and #10.555	
2017(viii)	Dollar Threshold: Type A\B Program	Type A: \$750,000 or more Type B: All others
2017(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY, OHIO
dba MILLENNIUM COMMUNITY SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

The prior audit report, as of June 30, 2016, included no citations, instances of noncompliance, or management letter recommendations.



Dave Yost • Auditor of State

OHIO ACHIEVEMENT CHARTER SCHOOL DBA MILLENNIUM COMMUNITY SCHOOL

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
MARCH 27, 2018**