

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

**(DBA MILLENNIUM COMMUNITY SCHOOL)**

**Single Audit**

**For the Fiscal Year Ended June 30, 2009**







# Mary Taylor, CPA

Auditor of State

Board of Trustees  
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 Kennedy Cottrell Richards LLC, for the audit period July 1, 2008 through June 30, 2009. 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.

Millennium made double payments on certain supplemental contracts for contract period September 1, 2007 through August 31, 2008. In these cases, the teachers were paid by the School the amount of their supplemental contract both by adding the supplemental contract amount to their regular wage contract amount and making equal payments over 24 pay periods and making payments separate from the teachers' regular wage on an hourly basis over the course of 24 pay periods.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the employees listed in the chart below, individually, in the corresponding dollar amounts, and in favor of Millennium's General Fund:

	Name	Amount
1.	Tekiesha Goolsby	\$2,000
2.	Connie Schumacher	\$2,000

Millennium has entered into agreements with Tekiesha Goolsby and Connie Schumacher, respectively, for restitution of the above findings through current payroll deductions and monthly payments. Ms. Goolsby and Ms. Schumacher have agreed to pay \$200/month until full restitution is made to the School; as of June 18, 2010, Millennium has received full restitution from each respective employee.

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

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid.

Mary Taylor, CPA  
Auditor of State

June 22, 2010

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

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## INDEPENDENT AUDITOR'S REPORT

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
3500 Refugee Road  
Columbus, Ohio 43232

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2009, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
Independent Auditor's Report  
Page 2

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

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

Kennedy Cottrell Richards LLC  
January 28, 2010

# THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2009

(Unaudited)

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This 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, 2009. 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.

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

## Financial Highlights

Key financial highlights for the Ohio Achievement Charter Schools, Inc. during fiscal year 2009 are as follows:

- Total net assets of the School increased \$512,362 in fiscal year 2009. Ending net assets of the School were \$945,954 compared to \$433,592 at June 30, 2008.
- Total assets decreased \$57,023 from the prior year and total liabilities decreased by \$569,385 during this same 12 month period.
- The School's operating loss for fiscal year 2009 was \$408,643 compared with an operating loss of \$1,327,503 reported for the prior year.
- A higher level of student enrollment during the fiscal year resulted in foundation revenues increasing by \$432,258 and Federal subsidies increasing by \$108,027.
- Operating expenses during fiscal year 2009 decreased by \$637,897 from the prior fiscal year due to lower staff expenses and other cost containment measures.

## 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 assets, statement of revenues, expenses and changes in net assets, 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.

# THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

## Management's Discussion and Analysis

For the Year Ended June 30, 2009

(Unaudited)

### *Statement of Net Assets*

The statement of net assets 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 assets; 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.

Table 1 provides a summary of the School's net assets for fiscal year 2009 compared to those reported for fiscal year 2008.

Table 1  
Net Assets

	2009	2008
Assets:		
Current assets	\$ 477,401	\$ 485,912
Capital assets, net	1,418,686	1,467,198
Total Assets	<u>1,896,087</u>	<u>1,953,110</u>
Liabilities		
Current liabilities	897,718	1,410,648
Non-current liabilities	52,415	108,870
Total Liabilities	<u>950,133</u>	<u>1,519,518</u>
Net Assets:		
Invested in capital assets	1,309,398	1,264,991
Restricted	102,883	67,500
Unrestricted	(466,327)	(898,899)
Total Net Assets	<u>\$ 945,954</u>	<u>\$ 433,592</u>

The total assets of the School decreased by \$57,023, which represents a 2.9 percent decrease, from total assets reported for fiscal year 2008. The current assets at the end of fiscal year 2009 were \$8,511 lower than the current assets at the end of fiscal year 2008. Capital assets, net of accumulated depreciation, decreased \$48,512 or 3.3 percent during the current fiscal year.

## THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2009

(Unaudited)

Total liabilities of the School decreased \$569,385 over those reported one year ago. The 37.5 percent decrease was primarily due to negotiated agreements for reductions in 2008 outstanding payables agreements and principle payments applied during the 2009 fiscal year. The current liabilities decreased by \$512,930 during the 2009 fiscal year, a 36.4 percent decrease from the prior fiscal year. Non-current liabilities decreased by \$56,455, a 51.9% reduction from the previous fiscal year.

The total net assets reported for fiscal year 2009 increased by \$512,362 to \$945,954. Net assets invested in capital assets, net of related debt, increased by \$44,407 (3.5%) and restricted net assets increased by \$35,383 (52.4%). Unrestricted net assets increased by \$432,572 to (\$466,327).

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009 as compared to changes reported for fiscal year 2008.

Table 2  
Change in Net Assets

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Foundation payments	\$ 3,965,770	\$ 3,533,512
Other operating revenues	-	151,295
Non Operating Revenues:		
Investment earnings	11,532	16,234
State subsidies	56,533	96,725
Federal subsidies	674,022	565,995
Other non operating revenues	<u>195,959</u>	<u>-</u>
Total Revenues	<u>4,903,816</u>	<u>4,363,761</u>
Operating Expenses:		
Salaries & Wages	1,878,563	2,360,984
Fringe benefits	575,083	720,548
Purchased services	1,694,381	1,653,367
Materials and supplies	127,971	175,604
Depreciation	74,069	72,298
Other	24,346	29,509
Non-Operating Expenses		
Interest Expense	17,041	31,394
Total Expenses	<u>4,391,454</u>	<u>5,043,704</u>
Change in Net Assets	512,362	(679,943)
Net Assets, beginning of year	<u>433,592</u>	<u>1,113,535</u>
Net Assets, end of year	<u>\$ 945,954</u>	<u>\$ 433,592</u>

## **THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.**

Management's Discussion and Analysis

For the Year Ended June 30, 2009

(Unaudited)

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Total revenue increased \$540,055 for fiscal year 2009 compared with the prior fiscal year primarily due to the increases in State Foundation and Federal subsidies revenue associated with higher student enrollment.

Expenses reported for fiscal year 2009 were \$652,250 lower than expenses reported for fiscal year 2008 primarily due to lower staff expenses and other cost containment measures.

### **Capital Assets**

At the end of fiscal year 2009, the School had \$1,418,686 invested in buildings, leasehold improvements, and furniture, fixtures and equipment. There was a total of \$25,557 in purchases which met the School's capitalization threshold during the year. See Note 5 of the basic financial statements for additional details.

### **Debt**

At June 30, 2009, the School had debt obligations of \$22,359 for Park National Bank note and \$86,929 for capital leases for a total of \$109,288. A promissory was issued in Fiscal Year 2003 through Park National Bank used to pay off the capital lease of the modular buildings. The School entered into capitalized leases for the acquisition of equipment in prior fiscal years. See Notes 13-15 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., 6500 Poe Avenue, Suite 350, Dayton, Ohio 45414.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2009**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 353,296
Receivable - Federal	40,801
Receivable - State	46,445
Accounts Receivable	6,859
Deposit held by Others	30,000
Total current assets	<u>477,401</u>

NON-CURRENT ASSETS

Capital Assets (Net of Accumulated Depreciation)	<u>1,418,686</u>
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TOTAL ASSETS

1,896,087

LIABILITIES

CURRENT LIABILITIES

Accounts payable	318,823
Intergovernmental payable	233,373
Accrued wages payable	270,758
Unearned Revenue	17,891
Capital Leases payable	34,514
Note Payable	<u>22,359</u>

Total current liabilities

897,718

LONG-TERM LIABILITIES

Capital leases payable	<u>52,415</u>
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Total Long-Term Liabilities

52,415

TOTAL LIABILITIES

950,133

NET ASSETS

Invested in Capital Assets, Net of related Debt	1,309,398
Restricted	102,883
Unrestricted	<u>(466,327)</u>

TOTAL NET ASSETS

\$ 945,954

See accompanying notes to the financial statements

# THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

## STATEMENT OF REVENUES, EXPENSES and CHANGES in NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

### OPERATING REVENUES:

Foundation payments	\$ <u>3,965,770</u>
Total operating revenues	<u>3,965,770</u>

### OPERATING EXPENSES:

Salaries and wages	1,878,563
Fringe benefits	575,083
Purchased services	1,694,381
Materials and supplies	127,971
Depreciation	74,069
Other	<u>24,346</u>
Total operating expenses	<u>4,374,413</u>

Operating loss	<u>(408,643)</u>
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### NON-OPERATING REVENUES (EXPENSES):

Interest earnings	11,532
State subsidies	56,533
Federal subsidies	674,022
Other non-operating revenue	195,959
Interest expense	<u>(17,041)</u>
Total non-operating revenues (expenses)	<u>921,005</u>

CHANGE IN NET ASSETS	512,362
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Net assets at beginning of year	<u>433,592</u>
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Net assets at end of year	<u><u>\$ 945,954</u></u>
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See accompanying notes to the financial statements

# THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

#### Cash Flows from Operating Activities:

Cash received from Foundation Payments	\$ 3,965,770
Cash payments for personal services	(2,827,302)
Cash payments for contract services	(1,631,233)
Cash payments for supplies and materials	(126,613)
Cash payments for Miscellaneous	<u>(18,257)</u>
Net cash used for operating activities	<u>(637,635)</u>

#### Cash Flows from Noncapital Financing Activities:

Cash from Federal and state subsidies	<u>757,925</u>
Net cash provided by noncapital financing activities	<u>757,925</u>

#### Cash Flows from Capital and Related Financing Activities:

Downpayment on future capital acquisitions	15,077
Payments for Capital Acquisitions	(22,830)
Payments of Principal on Capital Debt	(92,919)
Payments for Interest on Capital Acquisitions	<u>(17,041)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(132,790)</u>

#### Cash Flows from Investing Activities:

Interest on cash and cash equivalents	<u>11,532</u>
Net cash provided by investing activities	<u>11,532</u>

Net increase in cash and cash equivalents	14,109
Cash and cash equivalents at beginning of year	<u>339,187</u>
Cash and cash equivalents at end of year	<u>\$ 353,296</u>

See accompanying notes to the financial statements

# THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(Continued)

### Reconciliation of operating income (loss) to net cash used for operating activities

Operating Income (Loss)	\$ <u>(408,643)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	74,069
(Increase) decrease in intergovernmental & accounts receivable	(6,859)
Increase (decrease) in accounts payable	72,531
Increase (decrease) in accrued wages payable	(443,453)
Increase (decrease) in intergovernmental payable	69,797
Deposit forfeited	<u>4,923</u>
Total adjustments	<u>(228,992)</u>
Net cash used for operating activities	\$ <u><u>(637,635)</u></u>

See accompanying notes to the financial statements

## THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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### 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 21 non-certified and 31 certificated full time teaching personnel who provide services to 578 students.

### 2. Summary of Significant Accounting Policies:

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. 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, 2009

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**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 all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is 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 fiscal year 2009, investments were limited to STAR Ohio and repurchase agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2009. Repurchase agreements are valued at cost.

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

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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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 fair market 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	50 years
Building Improvements	20 years
Furniture, Fixtures, and Equipment	10 years
Computer Equipment	5 years

F. 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.

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is 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.

Intergovernmental revenues associated with the Foundation Program totaled \$3,965,770 and revenues associated with education grants from the state and federal governments totaled \$730,555 during fiscal year 2009.

## THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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### 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.

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 payments made to the School by other instructional entities for use of the School's instructional staff 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. Accrued Liabilities Payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2009, including:

Wages 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 2009 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2009 that were paid in the subsequent fiscal year.

### J. Unearned Revenue

The school received restricted funds that were not spent by the end of the fiscal year. The amount classified as unearned revenue will be carried over to the next fiscal year and repaid if not spent.

### K. 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.

### L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are 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 assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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3. Deposits and Investments:

Deposits: The carrying value of the School's deposits totaled (\$13,697), and the bank balance totaled \$55,543. All of which was covered by federal depository insurance.

Investments of the School as of June 30, 2009 were as follows:

Investments	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	\$318,252	0.00
STAR Ohio	<u>48,739</u>	0.00
Total Investments	<u>\$366,991</u>	

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

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

During fiscal year 2008, a \$50,000 deposit was placed as a down payment on a building. During fiscal year 2009, of the prior year \$50,000 deposit; \$45,077 was returned and \$4,923 was forfeited. Also during fiscal year 2009, a \$30,000 deposit was placed as a down payment on a building.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Receivables at June 30, 2009 consisted of state grants of \$46,445 and federal grants of \$40,801.

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<b>Capital Assets:</b>	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Buildings	\$1,617,772	\$ 0	\$ -	\$1,617,772
Furniture and Equipment	191,801	7,861	-	199,662
Computer Equipment	<u>46,986</u>	<u>17,696</u>	-	<u>64,682</u>
<b>Total Assets</b>	<u><u>1,856,559</u></u>	<u><u>25,557</u></u>	<u><u>-</u></u>	<u><u>1,882,116</u></u>
<b>Depreciation:</b>				
Buildings	\$ (273,267)	\$(43,095)	\$ -	\$(316,362)
Furniture and Equipment	(88,407)	(19,159)	-	(107,566)
Computer Equipment	<u>(27,687)</u>	<u>(11,815)</u>	-	<u>(39,502)</u>
<b>Accumulated Depreciation</b>	<u><u>(389,361)</u></u>	<u><u>(74,069)</u></u>	<u><u>-</u></u>	<u><u>(463,430)</u></u>
<b>Net Capital Assets</b>	<u><u>\$1,467,198</u></u>			<u><u>\$1,418,686</u></u>

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, 2009, the School contracted with Peerless Insurance Company 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.

## THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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### 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. Defined Benefit Pension Plans:

### A. School Employees Retirement System

#### **Plan Description**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

#### **Funding Policy**

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$44,495, \$147,309 and \$162,511, respectively, which equaled the required contributions each year.

### B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free (800) 227-7877, or by visiting STRS Ohio web-site at [www.strsoh.org](http://www.strsoh.org).

## THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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### 7. Defined Benefit Pension Plans (continued):

#### B. State Teachers Retirement System

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2009 (the latest information currently available), plan members were required to contribute the statutory maximum of 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$170,349, \$259,928, and \$256,246 respectively; 100 percent has been contributed for all fiscal years.

### 8. Post-employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis. By Ohio law, health care benefits are not guaranteed.

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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8. Post-employment Benefits

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2009, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care for the prior three years. For the School, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$13,104, \$19,994, and \$16,241 respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

a. Medicare Part B Plan

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The School contributions for the years ended June 30, 2009 and 2008 were \$3,671 and \$10,017, respectively, which equaled the required contributions each year.

b. Health Care Plan

ORC 3309.375 and 3309.69 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 ACHIEVEMENT CHARTER SCHOOLS, INC.**

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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8. Post-employment Benefits (continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

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 benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The school contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$36,806, \$60,725 and \$31,966, respectively.

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 of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

9. Restricted Net Assets:

At June 30, 2009 the School reported restricted net assets totaling \$102,883. The nature of the net asset restrictions are as follows:

State specific educational program grants	\$ 1,000
Federal specific educational program grants	<u>101,883</u>
Total	<u>\$102,883</u>

10. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. 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 June 30, 2009.

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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10. Contingencies (continued)

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The School does not anticipate any material adjustments to state funding for fiscal year 2009 as a result of such review.

C. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al. Case #3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provision of the Ohio Community Schools Act, O.R.C. Section 3314, violates both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools in Ohio. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

11. Contracted Fiscal Services:

The School is a party to a fiscal services agreement with Mangan & Associates (M&A) School Resource Center, which is an education finance consulting company. The original Agreement's term was for a six month period beginning April 1, 2008. A second Agreement was confirmed for a nine month period beginning October 1, 2008. A continuing Agreement was confirmed in May 2009 and 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

The total fee paid for these services during fiscal year 2009 was \$137,828.

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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12. Other Purchased Services:

During the fiscal year ended June 30, 2009, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 335,872
Contractual Fiscal Services	137,828
Contractual Food Service	197,038
Property Services	238,707
Building Rental	409,417
Travel Mileage/Meeting Expenses	38,703
Communications	41,315
Utilities	179,591
Contract Craft or Trade Services	4,069
Other	<u>111,841</u>
Total Purchased Services	<u>\$1,694,381</u>

13. Debt Obligations:

Debt obligations of the School as of June 30, 2009 were as follows:

	<u>Balance</u> <u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/09</u>	<u>Due in One</u> <u>Year</u>
Park National Bank					
Note Payable					
6.25% Matures					
10/17/2010	\$ 84,385	\$ -	\$62,026	\$22,359	\$22,359
Capital Leases	<u>117,822</u>	<u>-</u>	<u>30,893</u>	<u>86,929</u>	<u>34,514</u>
Total Obligations	<u>\$202,207</u>	<u>\$ -</u>	<u>\$92,919</u>	<u>\$109,288</u>	<u>\$56,873</u>

The Note payable for the School as of June 30, 2009 is as follows:

A promissory note was issued in Fiscal Year 2003 through Park National Bank. The note has a variable interest rate adjusted to the prime rate every October with the current rate being 3.25%. The proceeds from the note were used to pay off the capital lease of the modular buildings with Tatonka, Inc.

The note debt as of June 30, 2009 is as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2010	<u>\$22,359</u>	<u>\$1,605</u>
Totals	<u>\$22,359</u>	<u>\$1,605</u>

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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14. Capital Leases:

The School entered into capitalized leases for the acquisition of equipment in prior fiscal years. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefit and risk of ownership to the lessee. These capital leases have been recorded as capital assets at the present value of the minimum lease payments as of the inception date. The capital leases are recorded as furniture and equipment of \$70,470 (\$21,141 accumulated depreciation).

<u>Fiscal Year</u>	
2010	42,492
2011	42,492
2012	<u>14,170</u>
Total	99,154
Less: Amount representing interest	<u>12,225</u>
Present value of net minimum Lease payments	<u><u>\$86,929</u></u>

15. Other Leases:

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 2009 was \$30,000.

The School’s rent for the lease is \$3,000 per month. The lease has no stated expiration date, but either party may terminate the lease upon giving the other party ninety days prior written notice.

EM Columbus II, LLC

During fiscal year 2009, the School entered into a lease agreement with EM Columbus II, LLC for the classroom space located at 2677 South Hamilton Road, Columbus, Ohio 43232. The initial term of the lease commenced June 12, 2008 and ended on December 31, 2008. The lease was renewed through April 2009, at which time the Millennium Charter School Development building was ready. The total rent expense for fiscal year 2009 was \$190,110.

Millennium Charter School Development

During fiscal year 2009, the School entered into a lease agreement with Millennium Charter School Development, LLC, a Limited Liability Company of private investors, for the property and 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 terminate the lease. Total rent for fiscal 2009 was \$189,307.

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

Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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15. Other Leases (continued)

The School's rent for the lease is as follows:

First six months after occupancy	\$ 56,792/month
Second six months after occupancy	\$ 68,059/month
One year after occupancy	\$ 71,507/month
Two years after occupancy and beyond	Monthly rent to increase every year with CPI multiplier

16. Sponsor:

The School contracted with Educational Resource Consultants of Ohio (ERCO) on April 24, 2006 to provide sponsorship services through June 30, 2011. The School pays ERCO 1.75% of monthly foundation payments. The total fees paid under this contract for fiscal year 2009 totaled \$72,786. The sponsor provides oversight, monitoring, treasury and technical assistance for the School.

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.**  
**Franklin County**  
Schedule of Receipts and Expenditures of Federal Awards  
June 30, 2009

<b>FEDERAL GRANTOR</b>				
<i>Pass Through Grantor</i>	Grant	Federal		
Program Title	Year(s)	CFDA	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	2008/2009	10.553	\$ 60,167	\$ 60,167
National School Lunch Program	2008/2009	10.555	134,120	134,120
Total Nutrition Cluster			<u>194,287</u>	<u>194,287</u>
<b>Total U.S. Department of Agriculture</b>			<u>194,287</u>	<u>194,287</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2008/2009	84.010	364,655	289,746
Special Education Cluster:				
Special Education Grants to States	2008/2009	84.027	152,353	92,123
Special Education Preschool Grants	2008/2009	84.173	49	-
Total Special Education Cluster			<u>152,402</u>	<u>92,123</u>
Safe & Drug Free School Communities State Program	2008/2009	84.186	3,879	3,524
State Grants for Innovative Programs	2008/2009	84.298	1,392	210
Education Technology State Grants	2008/2009	84.318	2,256	3,662
Improving Teacher Quality State Grants	2008/2009	84.367	29,541	62,702
<b>Total U.S. Department of Education</b>			<u>554,125</u>	<u>451,967</u>
<b>Total</b>			<u>\$ 748,412</u>	<u>\$ 646,254</u>

*The accompanying notes are an integral part of this schedule.*

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.**  
**Franklin County**

Notes to the Schedule of Receipts and Expenditures of Federal Awards  
June 30, 2009

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal award programs. This schedule includes federal receipts and expenditures of the District but does not include the federal receipts and disbursements of the discretely presented component unit. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
3500 Refugee Road  
Columbus, Ohio 43232

To the Governing Board:

We have audited the basic financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), as of and for the year ended June 30, 2009, and have issued our report thereon dated January 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

We noted certain additional matters that we reported to management of the School in a separate letter dated January 28, 2010.

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

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

Kennedy Cottrell Richards LLC  
January 28, 2010

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

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
3500 Refugee Road  
Columbus, Ohio 43232

To the Governing Board:

**Compliance**

We have audited the compliance of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

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

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
Report on Compliance with Requirements applicable to Major Federal Programs and  
Internal Control Over Compliance in Accordance with OMB Circular A-133

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

We noted certain additional matters that we reported to management of the School in a separate letter dated January 28, 2010

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



Kennedy Cottrell Richards LLC  
January 28, 2010

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.**  
**Franklin County**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 § .505**  
**June 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Title I – Grants to Local Educational Agencies CFDA 84.010  Special Education Cluster: CFDA 84.027 CFDA 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.**  
**Franklin County**  
**SCHEDULE OF FINDINGS**  
June 30, 2009

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**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**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
June 30, 2009

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2008-001	Financial Reporting	Yes	Fully Corrected
2008-002	Maintenance of Records	No	Partially Corrected. Reported to Management in letter dated January 28, 2010.
2008-003	Monitoring Control System	Yes	Fully Corrected
2008-004	Remittance of Employee Withholding Taxes	Yes	Fully Corrected
2008-005	Federal Non-Payroll Documentation	Yes	Fully Corrected

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Ohio Achievement Charter Schools, Inc.  
DBA Millennium Community School  
3500 Refugee Road  
Columbus, Ohio 43232

To the Board of Trustees:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School), has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board has not adopted an anti-harassment policy including the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;
  - (7) A procedure for responding to and investigating any reported incident;
  - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (1) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Kennedy Cottrell Richards LLC  
January 28, 2010



**Mary Taylor, CPA**  
Auditor of State

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.  
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  
JULY 6, 2010**