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

(DBA MILLENNIUM COMMUNITY SCHOOL)

Single Audit

For the Fiscal Year Ended June 30, 2010





Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' 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, 2009 through June 30, 2010. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 17, 2011

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

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INDEPENDENT ACCOUNTANTS' 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, 2010, 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 reasonably assure 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, 2010, 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 December 30, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Required by *Government Auditing Standards*

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
December 30, 2010

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis
For the Year Ended June 30, 2010
(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, 2010. 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 2010 are as follows:

- Total net assets of the School increased \$952,102 in fiscal year 2010. Ending net assets of the School were \$1,086,931 compared to \$134,829 at June 30, 2009.
- Total assets increased \$667,640 from the prior year and total liabilities decreased by \$284,462 during this same 12 month period.
- The School's operating loss for fiscal year 2010 was \$1,094,765 compared with an operating loss of \$389,264 reported for the prior year.
- Foundation revenues increased \$307,462 and federal subsidies increased \$1,354,644, while operating expenses increased only \$1,014,618 in comparison with 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 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.

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.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2010

(Unaudited)

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 2010 compared to those reported for fiscal year 2009.

Table 1
Net Assets

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets	\$ 1,110,386	\$ 477,401
Capital assets, net	<u>642,216</u>	<u>607,561</u>
Total Assets	<u>1,752,602</u>	<u>1,084,962</u>
Liabilities		
Current liabilities	651,824	897,718
Non-current liabilities	<u>13,847</u>	<u>52,415</u>
Total Liabilities	<u>665,671</u>	<u>950,133</u>
Net Assets:		
Invested in capital assets	589,801	498,273
Restricted	5,294	102,883
Unrestricted	<u>491,836</u>	<u>(466,327)</u>
Total Net Assets	<u>\$ 1,086,931</u>	<u>\$ 134,829</u>

The total assets of the School increased by \$667,640, which represents a 62 percent increase, from total assets reported for fiscal year 2009. The increase in total assets is mainly due to the increase in cash and cash equivalents and receivables resulting from the additional funding from state and federal sources. Capital assets, net of accumulated depreciation, increased \$34,655 or 5.7 percent during the current fiscal year.

Total liabilities of the School decreased \$284,462 over those reported one year ago. The 30 percent decrease was primarily the result of a decrease in accounts payable (\$183,013) and intergovernmental payables (\$148,370) due to improved cash flows.

The total net assets reported for fiscal year 2010 increased by \$952,102 to \$1,086,931. The following demonstrates the details of this increase.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2010

(Unaudited)

Table 2
Change in Net Assets

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Foundation payments	\$ 4,273,232	\$ 3,965,770
Other operating revenues	1,655	-
Non Operating Revenues:		
Investment earnings	1,215	11,532
State subsidies	11,963	56,533
Federal subsidies	2,028,666	674,022
Other non-operating revenues	<u>13,001</u>	<u>195,959</u>
Total Revenues	<u>6,329,732</u>	<u>4,903,816</u>
Operating Expenses:		
Salaries & Wages	2,119,528	1,878,563
Fringe benefits	590,802	575,083
Purchased services	2,231,173	1,694,381
Materials and supplies	222,032	127,971
Depreciation	65,202	54,690
Other	140,915	24,346
Non-Operating Expenses		
Interest Expense	<u>7,978</u>	<u>17,041</u>
Total Expenses	<u>5,377,630</u>	<u>4,372,075</u>
Income before Extraordinary Items	952,102	531,741
Extraordinary Items	-	(830,504)
Change in Net Assets	952,102	(298,763)
Net Assets, beginning of year, restated	<u>134,829</u>	<u>433,592</u>
Net Assets, end of year	<u>\$ 1,086,931</u>	<u>\$ 134,829</u>

Total revenue increased \$1,425,916 for fiscal year 2010 compared with the prior fiscal year primarily due to the increases in State Foundation and Federal subsidies revenue associated with higher student enrollment and increased funding from stimulus monies.

Expenses reported for fiscal year 2010 were \$1,005,555 higher than expenses reported for fiscal year 2009 primarily due to increased spending from the increase in revenue during fiscal year 2010.

Extraordinary items are unusual in nature and infrequent in occurrence. There were no extraordinary items in fiscal year 2010.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

For the Year Ended June 30, 2010

(Unaudited)

Capital Assets

At the end of fiscal year 2010, the School had \$642,216 invested in buildings, leasehold improvements, and furniture, fixtures and equipment, an increase of \$34,655 in comparison with the prior fiscal year. This increase represents the amount by which current year additions, totaling \$99,857, exceeded current year depreciation, totaling \$65,202. See Note 5 of the basic financial statements for additional details.

Debt

At June 30, 2010, the School had paid off their debt obligations with Park National Bank for a note and had \$52,415 for capital leases outstanding. The School entered into capitalized leases for the acquisition of equipment in prior fiscal years. These capital leases have been recorded as capital assets at the present value of the minimum lease payments as of the inception date. As a result, the School paid \$42,492 in principal and interest for the fiscal year ended June 30, 2010. A month-to-month lease for the land associated with the Bostwick building commenced on October 1, 2008. Total rent expense for fiscal year 2010 was \$33,000. 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.
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Assets:	
Current Assets	
Cash and cash equivalents	\$ 851,302
Receivable - Federal	229,084
Deposit held by Others	30,000
Total Current Assets	1,110,386
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	642,216
Total Noncurrent Assets	642,216
Total Assets	\$ 1,752,602
Liabilities:	
Current Liabilities	
Accounts Payable	\$ 135,810
Intergovernmental Payable	85,003
Accrued Wages and Benefits Payable	391,938
Unearned Revenue	505
Capital Lease payable	38,568
Total Current Liabilities	651,824
Long-Term Liabilities:	
Capital Lease payable	13,847
Total Noncurrent Liabilities	13,847
Total Liabilities	665,671
Net Assets:	
Invested in Capital Assets net of Related Debt	589,801
Restricted	5,294
Unrestricted	491,836
Total Net Assets	1,086,931
Total Liabilities and Net Assets	\$ 1,752,602

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Foundation Payments	\$ 4,273,232
Miscellaneous Revenue	1,655
Total Revenues	<u>4,274,887</u>
 Operating Expenses:	
Salaries	2,119,528
Fringe Benefits	590,802
Purchased Services	2,231,173
Materials and Supplies	222,032
Depreciation	65,202
Other	140,915
Total Expenses	<u>5,369,652</u>
 Operating Income (Loss)	 <u>(1,094,765)</u>
 Non-Operating Revenues (Expenses):	
Federal subsidies	2,028,666
State subsidies	11,963
Interest Earnings	1,215
Other non-operating revenue	13,001
Interest expense	(7,978)
Total Non-Operating Revenues (Expenses)	<u>2,046,867</u>
 Change in Net Assets	 952,102
 Net Assets Beginning of Year, Restated	 <u>134,829</u>
Net Assets End of Year	<u><u>\$ 1,086,931</u></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, 2010**

Cash Flows from Operating Activities:	
Cash received from Foundation Payments	\$ 4,273,232
Cash payments for personal services	(2,735,241)
Cash payments for purchased services	(2,429,228)
Cash payments for supplies and materials	(204,807)
Cash payments for miscellaneous	(138,618)
Cash received from miscellaneous revenues	1,655
Net Cash Used for Operating Activities	<u>(1,233,007)</u>
Cash Flows from Noncapital Financing Activities:	
Cash received from Federal and State subsidies	1,881,505
Cash received from other nonoperating revenue	13,001
Net Cash from Noncapital Financing Activities	<u>1,894,506</u>
Cash Flows from Capital and Related Financing Activities:	
Downpayments on future capital acquisitions	-
Payments for Capital Acquisitions	(99,857)
Payments of Principal on Capital Debt	(56,873)
Payments for Interest on Capital Acquisitions	(7,978)
Net Cash Used for Capital and Related Financing Activities	<u>(164,708)</u>
Cash Flows from Investing Activities:	
Interest on Cash and Cash Equivalents	1,215
Net Cash from Investing Activities	<u>1,215</u>
Net Increase (Decrease) in Cash and Cash Equivalents	498,006
Cash and Cash Equivalents at Beginning of Year	353,296
Cash and Cash Equivalents at End of Year	<u>\$ 851,302</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, 2010

Reconciliation of Operating Income (Loss) to Net Cash
Used for Operating Activities:

Operating Income (Loss)	\$ (1,094,765)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:	
Depreciation	65,202
Changes in Assets and Liabilities:	
Accounts Receivable	6,859
Intergovernmental Receivable	
Accounts Payable	(183,013)
Intergovernmental Payable	(148,470)
Accrued Wages	121,180
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,233,007)</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, 2010

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 25 non-certified and 37 certificated full time teaching personnel who provide services to 670 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, 2010

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 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 fund 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 the fiscal year, 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, 2010. 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, 2010

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 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.

During the fiscal year, intergovernmental revenues associated with the Foundation Program totaled \$4,273,232 and revenues associated with education grants from the state and federal governments totaled \$2,040,629.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

2. Summary of Significant Accounting Policies (Continued):

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 fiscal year-end, 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 2010 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2010 that were paid in the subsequent fiscal year.

J. 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.

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, net of related debt, 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 programs.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

2. Summary of Significant Accounting Policies (Continued):

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

3. Deposits and Investments:

Deposits: The carrying value of the School's deposits totaled negative \$131,045, and the bank balance totaled \$69,921. The School's entire bank balance was covered by federal depository insurance.

Investments of the School as of June 30, 2010 were as follows:

<u>Investments</u>	<u>Fair Value</u>
Repurchase Agreement	\$933,551
STAR Ohio	<u>48,796</u>
Total Investments	<u>\$982,347</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.

At fiscal year-end, \$30,000 was placed as a down payment on a building. The School has not entered into an agreement as of fiscal year-end to purchase the building.

4. Intergovernmental Receivables:

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Receivables at June 30, 2010 consisted of federal grants of \$229,084.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

Capital Assets:	Beginning Balance Restated	Additions	Deletions	Ending Balance
Buildings	\$ 601,506	\$ -	\$ -	\$ 601,506
Furniture and Equipment	199,662	46,259	-	245,921
Computer Equipment	64,682	53,598	-	118,280
Total Capital Assets	865,850	99,857	-	965,707
Less Accumulated Depreciation:				
Buildings	(111,221)	(23,716)	-	(134,937)
Furniture and Equipment	(107,566)	(20,154)	-	(127,720)
Computer Equipment	(39,502)	(21,332)	-	(60,834)
Total Accumulated Depreciation	(258,289)	(65,202)	-	(323,491)
Net Capital Assets	\$ 607,561	\$ 34,655	\$ -	\$ 642,216

See Note 16 for information regarding the School's beginning balance restatement.

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, 2010, the School contracted with Ohio Casualty 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.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employer/Audit Resources.

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, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$81,420, \$44,495, and \$147,309, respectively. The amount contributed for fiscal year 2010 was 81 percent and 100 percent was contributed for fiscal years 2009 and 2008. The District's unpaid contribution for fiscal year 2010 has been recorded as a liability in the appropriate funds.

B. State Teachers Retirement System

Plan Description - The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

7. Defined Benefit Pension Plans (Continued):

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.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

7. Defined Benefit Pension Plans (Continued):

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers.

The School's required contributions for pension obligations for the fiscal years ended June 30, 2010, 2009, and 2008 were \$155,829, \$170,349, and \$259,928, respectively; 80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The School's unpaid contribution for fiscal year 2010 has been recorded as a liability in the appropriate funds.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

8. 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 two cost-sharing, multiple employer postemployment benefit plans.

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 2010 is \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. 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 2010, the actuarially required allocation is .76%. The School's contributions for the years ended June 30, 2010, 2009 and 2008 were \$4,842, \$3,671, and \$10,017, respectively, 81 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 (latest available), 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 2010, 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's contributions assigned to health care, including the surcharge, for the years ended June 30, 2010, 2009, and 2008 were \$15,673, \$36,806, and \$60,725, respectively, 81 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

8. Post-employment Benefits(Continued):

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 under Employers/Audit Resources.

b. State Teachers Retirement System

Plan Description – Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone report. Interest parties can view the most recent *Comprehensive Annual Financial Report* by visiting the STRS Ohio web site at www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law.

The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$11,987, \$13,104, and \$19,994, respectively; 80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

9. Restricted Net Assets:

At June 30, 2010 the School reported restricted net assets totaling \$5,294. This balance represents the unspent portion of federal specific educational program grants.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 fiscal year-end.

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 2010 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
5. EMIS / DASL / SOES Services

The total fee paid for these services during fiscal year 2010 was \$216,314.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

12. Debt Obligations:

Debt obligations of the School as of June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable 3.25%	\$ 22,359	\$ -	\$ (22,359)	\$ -	\$ -
Capital Lease	86,929	-	(34,514)	52,415	38,568
Total	<u>\$ 109,288</u>	<u>\$ -</u>	<u>\$ (56,873)</u>	<u>\$ 52,415</u>	<u>\$ 38,568</u>

The Note payable for the School as of June 30, 2010 is as follows:

A promissory note was issued in fiscal year 2003 through Park National Bank. The note had a variable interest rate adjusted to the prime rate every October. The proceeds from the note were used to pay off the capital lease of the modular buildings with Tatonka, Inc.

13. 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 (\$28,188 accumulated depreciation). The School paid \$42,492 in principal and interest for the fiscal year ended June 30, 2010.

<u>Fiscal Year</u>	<u>Capital Lease</u>
2011	\$ 42,491
2012	14,171
Total	56,662
Less: Amount representing interest	(4,247)
Present Value of net minimum Lease Payments	<u>\$ 52,415</u>

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.

Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

14. 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 2010 was \$33,000.

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. 6 months written notice is needed to not renew the lease. Total rent for fiscal 2010 was \$798,398.

15. 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 2010 totaled \$75,695. The sponsor provides oversight, monitoring, treasury and technical assistance for the School.

16. Prior Period Restatement

During fiscal year 2009, the School permanently abandoned the use of three modular units used for instruction located at 1850 Bostwick Road and moved instructional services to another location. Although the modular units are currently being used as storage space, the School intends to sell or dispose of the modular units in the near future. The change in the expected duration of use of these modular units met the impairment test outlined in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, as the decline in service utility was significant and unexpected by management. In accordance with GASB Statement No. 42, since the modular units will no longer be used by the School, the modular units should have been marked down to the lower of carrying value or fair value in the prior fiscal year.

Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning net assets to restate that amount to what it would have been had the error not occurred.

At June 30, 2009, Capital Assets, Net, reported by the School was overstated. The effect of this overstatement on beginning net assets is as follows:

Ending Net Asset Balance - June 30, 2009	\$ 945,954
Unrecorded Capital Asset Impairment	(811,125)
Beginning Net Asset Balance, July 1, 2009	<u>\$ 134,829</u>

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

Schedule of Receipts and Expenditures of Federal Awards
June 30, 2010

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Grant	Federal	Receipts	Disbursements
Program Title	Year(s)	CFDA Number		
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	2009/2010	10.553	\$ 76,857	\$ 76,857
National School Lunch Program	2009/2010	10.555	299,754	299,754
Total Nutrition Cluster			<u>376,611</u>	<u>376,611</u>
ARRA - Cafeteria Equipment Assistance	2009/2010	10.579	3,553	3,553
Fresh Fruit and Vegetable Program	2009/2010	10.582	25,882	23,235
Total U.S. Department of Agriculture			<u>406,046</u>	<u>403,399</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grants to Local Educational Agencies	2009/2010	84.010	459,903	517,954
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	367,421	348,369
Total Title I Cluster			<u>827,324</u>	<u>866,323</u>
Special Education Cluster				
Special Education Grants to States	2009/2010	84.027	125,614	129,418
ARRA - Special Education Grants to States	2010	84.391	117,919	108,228
Total Special Education Cluster			<u>243,533</u>	<u>237,646</u>
Safe & Drug Free School Communities State Program	2009/2010	84.186	8,359	10,225
State Grants for Innovative Programs	2009	84.298	-	449
Education Technology State Grants	2009/2010	84.318	-	11,693
Improving Teacher Quality State Grants	2009/2010	84.367	91,405	83,673
School Improvement Grants	2010	84.377	-	3,000
ARRA - State Fiscal Stabilization Fund – Education State Grants	2010	84.394	291,140	285,115
Total U.S. Department of Education			<u>1,461,761</u>	<u>1,498,124</u>
Total			<u>\$ 1,867,807</u>	<u>\$ 1,901,523</u>

The accompanying notes are an integral part of this schedule.

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

Notes to the Schedule of Receipts and Expenditures of Federal Awards
June 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the School's federal award programs. This schedule includes federal receipts and expenditures of the School 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 ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY 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, 2010, and have issued our report thereon dated December 30, 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Required by *Government Auditing Standards*

We noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated December 30, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, the Community School's sponsor, and federal awarding agencies and pass-through entities, and others within the School. We intend it for no one 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
December 30, 2010

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY 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, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

As described in findings 2010-01 and 2010-02 in the accompanying schedule of findings and questioned costs, the School did not comply with the *Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Reporting, and Special Tests and Provisions – Verification of Free and Reduced Price Applications* requirements applicable to its Nutrition Cluster Grants. Additionally, as described in finding 2010-03 in the accompanying schedule of findings and questioned costs, the School did not comply with the *Eligibility* requirements applicable to its Title I – Local Grants to Education Agencies program. Compliance with these requirements is necessary, in our opinion, for the School to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Ohio Achievement Charter Schools, Inc. complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
Independent Accountants' Report on Compliance with
Requirements applicable to each Major Federal Program and
Internal Control over Compliance in Accordance with OMB Circular A-133

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-01 through 2010-03 to be material weaknesses.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the School's management in a separate letter dated December 30, 2010.

The School's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Directors, the School's sponsor, federal awarding agencies and pass-through entities, and others within the School. We intend it for no one other than these specified parties.



Kennedy Cottrell Richards LLC
December 30, 2010

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
June 30, 2010**

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?	Yes
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Cluster: CFDA 84.010 CFDA 84.389 Nutrition Cluster: CFDA 10.553 CFDA 10.555
(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, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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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

CFDA Title and Number	<u>Nutrition Cluster</u> School Breakfast Program - CFDA 10.553 National School Lunch Program - CFDA 10.555
Compliance Requirements	<ul style="list-style-type: none"> - Activities Allowed or Unallowed - Allowable Costs/Cost Principles - Cash Management - Reporting
Grant Year	2009/2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2010-01

Material Weakness/Noncompliance/Questioned Cost: Federal Meal Reimbursement

7 CFR Sections 210.8(b), 220.11(b), 225.9(d) state that to receive reimbursement payments for meals served, a Local Education Authority (LEA) must submit claims for reimbursement to its administering agency. 7 CFR Sections 210.7(c), 210.8(c), 220.11(C), and 225.9(d) state that a claim must include the number of reimbursable meals/milk served by category and type during the period covered by the claim. All meals claimed for reimbursement must be of types authorized by the LEA's administering agency; must be served to eligible children; and must be supported by accurate meal counts and records indicating the number of meals served by category and type.

The School uses pre-printed student rosters or handwritten lists of student identification numbers to track the number of meals served for lunch and breakfast. As each student goes through the meal line, the Food Service Coordinator or teacher checks the student off as receiving a meal. At the end of the day the Food Service Coordinator uses the rosters and lists and manually counts the number of meals served by type (free, reduced, or full pay) and records them on the appropriate monthly form which is used as support for the monthly reimbursement claim. There is no indication on the rosters or lists whether the student is free, reduced or full pay. The Food Service Coordinator maintains her own master key which maintains this information. At the end of each month, the Food Service Coordinator totals the daily amounts on the monthly form and sends it to Treasurer's Office. The Treasurer's Assistant recalculates the number of meals on the sheet and enters the numbers into the claims system for federal reimbursement.

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FRANKLIN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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**Material Weakness/Noncompliance/Questioned Cost: Federal Meal Reimbursement
(Continued)**

The School's current policies and procedures are insufficient to ensure the accurate tracking of meals served by type and ultimately reporting accurate numbers for federal reimbursement. This was evidenced by: (1) the Food Service Coordinator not being able to provide the master key used to determine if a child is free or reduced; (2) the rosters and lists not being in any type of functional order; and (3) the daily rosters and lists not being properly maintained (see below). Additionally, there is no review performed by anyone in the Treasurer's Office over the daily food service procedures or amounts reported.

We selected 20 days of meal service from the monthly reports used a supporting documentation for the numbers of meals submitted for reimbursement attempted to agreed the amounts reported to the daily rosters and lists. The School was unable to provide accurate daily rosters or lists to support the number of lunches and snacks served for the weeks ended November 13, 2009 and December 11, 2009. The School was also unable to provide any daily rosters or lists for the number of breakfasts served for the same weeks listed above. For the weeks ended April 16, 2010 and April 23, 2010, the School was not able to provide any daily rosters or lists to support the number of lunches, snacks or breakfasts.

Due to the School not being able support the amount of meals claimed for reimbursement for the weeks indicated above, we determined that the School received excess reimbursement for the National School Lunch and School Breakfast Programs in the amount of \$22,740 and \$14,308, respectively. These amounts will be questioned costs. During the fiscal year, the School received total reimbursement for the National School Lunch and School Breakfast Programs in the amounts of \$299,754 and \$76,857, respectively.

We recommend the School implement policies and procedures that will ensure the School is maintaining accurate meal counts and records indicating the number of meals served by category and type.

Officials Response and Corrective Actions

The School has initiated the development of additional procedures designed to improve the accuracy of meal counts served by category and type. The School's corrective action plan also includes the implementation of quarterly internal reviews to ensure an additional verification of meal reimbursement records.

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CFDA Title and Number	<u>Nutrition Cluster</u> School Breakfast Program - CFDA 10.553 National School Lunch Program - CFDA 10.555
Compliance Requirements	- Eligibility - Special Tests & Provisions (Verification of Free and Reduced Price Applications)
Grant Year	2009/2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2010-02

Material Weakness/Noncompliance – Eligibility Determination and Verification

7 CFR 245.6 provides that each child receiving free and reduced lunches must annually submit an application to the School. The School must then certify a child's family income and family size and place him/her within income eligibility standards issued by the Office of Food Nutrition Services. The application must be approved and maintained on file.

7 CFR 245.6a requires that by December 15th of each school year a participating school (school food authority-SFA) must verify the information presented on a sample of the applications that it has approved for free and reduced price meals. The verification sample size is based on the number of approved applications on file on October 31st. SFAs may select the sample by either of two methods specified in the section. Further, the SFA must follow-up on children determined ineligible for free and reduced price meals and change the category of such children determined ineligible.

7 CFR 245.6a, c states that the school verifying applications shall maintain on file for review a description of the verification to be accomplished. The description shall include:

- (1) A summary of the verification efforts including the techniques to be used;
- (2) the total number of applications on file by October 31;
- (3) the percentage or number of applications verified;
- (4) all verified applications must be readily retrievable by the school and include all documents submitted by the household in an effort to confirm eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission;
- (5) documentation of any changes in eligibility and the reasons for the changes; and
- (6) all relevant correspondences between the household selected for verification and the school food authority/school.

At the beginning of each school year, the School requires each student to submit a free/reduced application. The applications are submitted to the Food Service Coordinator for eligibility determination. The Food Service Coordinator is also responsible for performing the verification of the application.

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Material Weakness/Noncompliance – Eligibility Determination and Verification (Continued)

The School's current policies and procedures are insufficient to ensure that proper eligibility determinations are being made and that the verification process is taking place. This was evidenced by the School being unable to provide: (1) 12 of the 40 applications we selected for testing; (2) a complete list of students determined to be free or reduced; and (3) documentation of the applications that were selected for verification. Additionally, there was no evidence of a secondary review by the School of the eligibility determinations or the verification process.

We recommend the School establish policies and procedures regarding eligibility determination and verification. Those policies and procedures at a minimum should incorporate the requirements of the above noted CFR sections.

Officials Response and Corrective Actions

The School's corrective action plan includes the development and implementation of procedures designed to incorporate the eligibility determination and verification as outlined in CFR 245.6.

CFDA Title and Number	<u>Title I Cluster</u> Title I Grants to Local Education Agencies - CFDA 84.010
Compliance Requirement	Eligibility
Grant Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2010-03

Material Weakness/Noncompliance/Questioned Cost: Title I Eligibility Determinations

Title I, Section 1113 of Elementary School and Secondary Education Act (ESEA) (20 USC 6313) states that Title I, Part A funds received under this part shall use funds received under this part only in a school attendance area in which the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the local educational agency as a whole.

To identify eligible school attendance areas, the local educational agency shall use the same measure of poverty, which measure shall be the number of children ages 5 through 17 in poverty counted in the most recent census data approved by the Secretary, the number of children eligible for free and reduced priced lunches under the Richard B. Russell National School Lunch Act, the number of children in families receiving assistance under the State program funded under part A of title IV of the Social Security Act, or the number of children eligible to receive medical assistance under the Medicaid program, or a composite of such indicators, with respect to all school attendance areas in the local educational agency.

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**Material Weakness/Noncompliance/Questioned Cost: Title I Eligibility Determinations
(continued)**

For fiscal year 2010, the School elected to measure its poverty level by the number of children eligible for free and reduced priced lunches under the Richard B. Russell National School Lunch Act. The School was unable to provide: (1) 12 of the 40 applications we selected for testing; (2) a complete list of students determined to be free or reduced, and (3) documentation of the applications that were selected for verification. Additionally, there was no evidence of a secondary review by the School of the eligibility determinations or the verification process.

The questioned cost for the School not being able to provide proof of its eligibility for the Title I 2010 grant year is \$398,029. We recommend the School maintain all records used to determine eligibility for Title I services.

Officials Response and Corrective Actions

The School's student population includes an extremely high percentage of children from low-income families. Therefore, the "questioned cost" amount referenced above (based upon document retention) is not an accurate reflection of the actual low-income eligibility of the School's student population. The food services staff responsible for selecting the measure of School's poverty level was not aware of the importance of document retention for single audit purposes. Therefore, the School has taken immediate action to inform the food services staff and other related school personnel of the importance of record retention for low-income eligibility and has initiated the implementation of plans for quarterly internal reviews to ensure that: (1) all applications are available for review by the auditor, (2) the School maintains a complete list of students determined to be free or reduced and (3) the School conducts a secondary review of the eligibility determinations and/or the verification process.

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 adopted an anti-harassment policy at its meeting on February 11, 2010.
2. We read the policy, noting it included 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;
- (10) 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 of Director's and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC
December 30, 2010

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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 29, 2011**