



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying Balance Sheet of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio (the School) as of June 30, 2000, the related Statement of Revenues, Expenses and Changes in Retained Earnings and Statement of Cash Flows for the year ended June 30, 2000. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2001 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 grants. 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.

JIM PETRO
Auditor of State

February 20, 2001

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**OHIO ACHIEVMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY**

**BALANCE SHEET
JUNE 30, 2000**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 213,834
Receivable - Federal	<u>74,406</u>
Total Current Assets	\$ 288,240
Non-Current Assets	
Fixed assets (Net of Accumulated Depreciation)	<u>117,613</u>
Total Assets	<u><u>\$ 405,853</u></u>
Liabilities and Fund Equity	
Current Liabilities	
Accounts Payable	\$ 149,451
Accrued Wages and Benefits	130,771
Compensated Absences	11,072
Intergovernmental Payable	<u>19,681</u>
Total Current Liabilities	310,975
Long-Term Liabilities	
Capital Lease Payable	<u>61,936</u>
Total Liabilities	372,911
Equity	
Retained Earnings	<u>32,942</u>
Total Equity	<u><u>32,942</u></u>
Total Liabilities and Equity	<u><u>\$ 405,853</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

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

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2000**

Operating Revenues	
Food Services	\$ 11,145
Foundation Payments	2,240,977
Other Operating Revenues	<u>47,516</u>
Total Operating Revenues	<u>2,299,638</u>
Operating Expenses	
Salaries and Wages	1,178,310
Fringe Benefits	318,757
Purchased Services	754,376
Materials and Supplies	319,445
Depreciation	12,310
Miscellaneous	<u>3,587</u>
Total Operating Expenses	<u>2,586,785</u>
Operating Loss	(287,147)
Non-Operating Revenues and (Expenses)	
Interest Earnings	9,663
State Subsidies	47,803
Federal Subsidies	267,538
Interest Expense	<u>(4,915)</u>
Total Non-Operating Revenues and (Expenses)	<u>320,089</u>
Net Income	32,942
Retained Earnings, at Beginning of Year	-
Retained Earnings, at End of Year	<u><u>\$ 32,942</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000**

Cash Flows provided by Operating Activities	
Cash Received from Sales	\$ 11,145
Cash Received from Foundation Payments	2,240,977
Cash Received from Other Operating Revenues	47,516
Cash Payments for Personal Services	(1,334,521)
Cash Payments for Contract Services	(609,555)
Cash Payments for Materials and Supplies	(328,307)
Cash Payments for Miscellaneous	(3,587)
Net Cash provided by Operating Activities	<u>23,668</u>
Cash Flows provided by Noncapital Financing Activities	
Cash provided by Federal and State Subsidies	
State	47,803
Federal	<u>193,132</u>
Net Cash provided by Noncapital Financing Activities	<u>240,935</u>
Cash Flows used for Capital and Related Financing Activities	
Payments for Capital Acquisitions	(55,517)
Payments for Interest on Capital Acquisitions	<u>(4,915)</u>
Net Cash used for Capital and Related Financing Activities	<u>(60,432)</u>
Cash Flows provided by Investing Activities	
Interest on Cash and Cash Equivalents	<u>9,663</u>
Net Cash provided by Investing Activities	<u>9,663</u>
Net Increase in Cash and Cash Equivalents	213,834
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$ 213,834</u>
Reconciliation of Operating Loss to Net Cash provided by Operating Activities	
Operating Loss	(287,147)
Adjustments to Reconcile Operating Loss to Net Cash provided by (used for) Operating Activities	
Depreciation	12,310
Changes in Assets and Liabilities	
Intergovernmental Receivables	(74,406)
Accounts Payable	149,451
Accrued Wages and Benefits	130,771
Intergovernmental Payable	19,681
Compensated Absences	11,072
Capital Lease Payable	<u>61,936</u>
Total Adjustments	<u>310,815</u>
Net Cash provided by Operating Activities	<u>\$ 23,668</u>

The Accompanying Notes are an Integral Part of the Financial Statements

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Ohio Achievement Charter Schools, Inc. (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through fourth grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the school.

The School was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 1999. 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 an eight member Board of Trustees. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees control the School's instructional/support facility staffed by 6 non-certified and 14 certificated full time teaching personnel who provide services to 434 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 more significant of the School's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to track and report the School's financial activities. Enterprise accounting is used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost (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.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases and decreases in net total assets.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

C. Budgetary Process

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

D. Cash and 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. This account is presented as "cash and cash equivalents" on the accompanying balance sheet and is valued at the carrying amount. For purposes of the statement of cash flows and for presentation on the balance sheet, investments with a maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. Fixed Assets and Depreciation

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

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

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

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Continued)

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$100,000 to offset start-up cost of the School. Revenue received from this program is recognized as non-operating revenue on the accompanying financial statements.

Other grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

G. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The School does not have a liability for sick benefits upon termination, therefore no liability is recognized.

3. CASH AND CASH EQUIVALENTS

At fiscal year end, the carrying amount of the School's deposits was \$ 213,834 and the bank balance was \$380,851. Of the bank balance \$100,000 was covered by federal depository insurance and \$280,851 was uninsured and uncollateralized.

4. RECEIVABLES

Receivables at June 30, 2000, consisted of intergovernmental receivables (federal grants) totaling \$74,406. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

5. FIXED ASSETS

A summary of the School's fixed assets at June 30, 2000, follows:

Building Improvements	\$ 43,178
Furniture and Equipment	72,016
Computer Equipment	<u>14,729</u>
Subtotal	129,923
Less: Accumulated Depreciation	<u>12,310</u>
Net Fixed Assets	<u><u>117,613</u></u>

There was no construction in progress at June 30, 2000.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2000, the School contracted with Nationwide Insurance Company for property and general liability insurance. There is a \$ 500 deductible with a 100%, all risk policy.

Professional liability is protected by Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate with no deductible.

B. Worker's Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members and the School are required to contribute 9 percent and 14 percent respectively, of their annual covered salary. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2000 was \$68,252. The School has contributed \$60,066 for fiscal year 2000, and the remainder due to SERS has been recorded as a liability.

B. State Teachers Retirement System

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Plan members and the School are required to contribute 9.3 percent and 14 percent respectively, of their annual covered salary. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligations to STRS for the fiscal year ended June 30, 2000 was \$95,161. The School has contributed \$89,175 for fiscal year 2000, and the remainder due to STRS has been recorded as a liability.

8. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled \$46,185 during fiscal year 2000. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and eligible benefit recipients totaled 95,796.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. The Board currently allocates employer contributions equal to 6.30% of covered payroll to fund health care benefits. For the School, this amount equaled \$28,927 during fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the year ended June 30, 1999, the most recent year available, net health care costs paid by SERS were \$126,380,984, and eligible benefit recipients totaled approximately 51,000.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The School has contracted with a private carrier to provide employee health insurance. The School paid 100% of the monthly premium for fiscal year 2000, the total monthly premium was \$564.98 for family coverage and \$207.37 for single coverage.

10. CAPITALIZED LEASES

During fiscal year 2000, the School entered into capitalized leases for office equipment, food service equipment, telephone system and a tractor. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded at the present value of future minimum lease payments as of the inception dates. The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	
2001	\$ 29,222
2002	29,228
2003	7,759
2004	2,311
2005	<u>770</u>
Total minimum lease payments	69,290
Less: interest	<u>7,354</u>
Present Value of minimum lease payments	<u>\$ 61,936</u>

11. OTHER LEASES

During fiscal year 2000, the School entered into a lease agreement with the Redeemer's Church for approximately six acres of property and the building located at the School. The term of the lease commenced June 15, 1999 through September 15, 1999. Thereafter, the lease was on a month to month basis. The monthly rent for both land and building is \$5,000 payable on or before the first day of each month.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$2,240,977 of school foundation support for its General Fund. Since the Supreme Court ruling, some legislation has been passed in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County in a decision issued February 26, 1999, determined the school funding plan remains unconstitutional. The State appealed the decision to the Ohio Supreme Court, and on May 11, 2000, the Ohio Supreme Court determined the Ohio school funding plan remains unconstitutional. The Court decided to maintain jurisdiction over the issue and ordered the State of Ohio to correct deficiencies by June 15, 2001. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding under this program.

13. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2000.

B. Litigation

The School is party to certain legal proceedings. The School's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material adverse effect, if any, on the financial condition of the School.

14. MANAGEMENT CONSULTING CONTRACT

The School entered into a five-year contract on July 1, 1999 with Achievement Education Services, Inc. for management consulting services. Under the contract, Achievement Education Services is required to provide the following services:

1. Superintendent Services
2. Staff Development and Recruiting
3. Program Development
4. Budgeting, Financial Reporting and Audit Preparation
5. Building and Grounds Planning and Maintenance
6. Curriculum Research and Development
7. Marketing and Publicity
8. Testing Program and Analysis
9. Grant Preparation and Management
10. Board Recruitment and Management
11. Personnel Services

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. MANAGEMENT CONSULTING CONTRACT (Continued)

For the services listed above, the School is required to pay a fee to Achievement Education Services, Inc.. The fee is equal to 10% of the total per pupil allowance received from the State of Ohio . In the event that the year end reconciliation results in a difference between the total amount paid and the agreed fee, with a balance owed, the Achievement Education Services has the right to suspend collection until such time as the School determines that cash flow permits such payment. The total expense related to this contract totaled \$224,097 with a unpaid liability of \$117,407 at year end.

15. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2000, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services		
Achievement Education Services	\$224,097	
Educational Consulting	32,276	
Legal Services	28,676	
Paving	29,620	
Other	<u>79,544</u>	
Total Professional and Technical Services		\$394,213
Property Services		
Lease payments to Redeemer Church	60,000	
Security Network	21,652	
Flooring	40,799	
Heating and Ventilation	21,320	
Paving	15,000	
Copier Lease	9,616	
Copier Lease	9,310	
Building Repairs	13,653	
Other	<u>57,553</u>	
Total Property Services		\$248,903
Travel Mileage/Meeting Expense		6,903
Communications		54,134
Utilities		27,909
Contracted Craft or Trade Services		<u>22,314</u>
Total Purchased Services		\$754,376

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. TAX EXEMPT STATUS

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on December 7, 1999.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio, (the School) as of and for the year ended June 30, 2000, and have issued our report thereon dated February 20, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 that are required to be reported under *Government Auditing Standards*. However, we noted one instance of noncompliance that we have reported to the management of the School in a separate letter dated February 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-10625-001 through 2000-10625-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-10625-001, 2000-10625-004 and 2000-10625-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School in a separate letter dated February 20, 2001.

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

JIM PETRO
Auditor of State

February 20, 2001

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

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-10625-001
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Monitoring Controls

Effective monitoring controls over financial operations were not implemented by the School's management. Lack of effective monitoring controls allows for operational failures and errors to occur without timely detection.

Monitoring controls should be comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

To assist management in detecting potential material financial and or compliance transactions that may effect financial operations, we recommend the School develop and implement monitoring controls. Some of these monitoring controls may consist of but may not be limited to the following:

- regular review of monthly budget and actual figures;
- regular review of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports and their respective fluctuations);
- review of key performance indicators;
- review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.);
- review of unusual or significant items, long outstanding items, etc.;
- monitoring grant expenditures in accordance with grant requirements;
- ensuring adequate segregation of duties exist, and;
- review of monthly bank reconciliations.

Finding Number	2000-10625-002
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Development and Implementation of a Leave Policy

The School did not have a written leave accumulation and use policy. There was no documentation that leave time was approved before the use occurred and leave earned throughout the year was correct. Failure to develop and implement a written leave policy on the accumulation and use of leave could result in inconsistency of accumulation, use, and payment for correct hours worked. In addition, upon termination employees could be compensated for the incorrect amount of leave balances.

The School should develop and implement a written leave accumulation and use policy. This policy should define eligible employees of the School for accumulating leave, limitations, if any, to accumulated leave, and procedures, such as prior approval, for use of leave. The policy for pay-out of leave accumulated upon separation should also be included.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2000-10625-003
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Fixed Assets

The School has not developed a written fixed asset policy. The current accounting system does not identify fixed assets by location or by tag identification number. Failure to develop a fixed asset policy and controls over the School's fixed assets allows for errors and irregularities to occur without timely detection of management. Lack of an accounting system that records fixed assets allows for financial statement misstatement to occur.

To ensure the School is maintaining adequate safeguards and accountability over fixed assets, and to reduce the risk that the School's fixed assets could be materially misstated, the School should develop a written fixed asset policy. The School should also utilize an accounting system that records fixed asset activity accurately so that it can be recorded properly on the financial statements. A periodic physical observation of fixed assets and comparison to accounting records should take place. Fixed asset additions and deletions throughout the year should be recorded at the time the activity occurs.

Finding Number	2000-10625-004
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Bank Reconciliations

Bank reconciliations were not always performed on a monthly basis by the School. In addition, the School did not generate budgetary and payroll outstanding check lists as part of the monthly reconciliations that were performed.

This practice allows for a lack of accountability over the cash activity of the School. It also limits managements' ability to monitor the financial activity of the School. Monthly reconciliations should be performed to properly account for the Schools' cash at month-end.

The School should perform monthly bank reconciliations. These reconciliations should include a listing of all reconciling items and adjustments and be supported by source documentation. The reconciliations should be reviewed by management as part of their regular monitoring controls.

Finding Number	2000-10625-005
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Authorization of Purchases

Expenditures were not always properly approved prior to the purchase of items or services to be rendered. Also, the School has not formally adopted their current purchasing policy nor do they always follow the policy that exists. Failure to obtain proper approval of purchases and/or follow the current purchasing policy could result in unauthorized purchases and the School utilizing public funds to pay for expenditures which are not for a proper public purpose.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2000-10625-005 (Continued)
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Authorization of Purchases (Continued)

All purchase requests should contain the proper approval prior to the commitment to purchase the item or services to be rendered. The School could use a requisition form to obtain this approval prior to a purchase order being generated by the Treasurer's office.

The School should adopt their current purchasing policy in the Board minutes. The purchasing policy should be followed as outlined. In addition, all employees authorized to request or approve purchases should receive a copy of the policy and sign indicating their receipt and knowledge of such policy.

Finding Number	2000-10625-006
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Latchkey Department Activity

The Latchkey Director withheld cash from daily collections and subsequently used these collections to purchase food and supplies for the program. These cash transactions were not recorded on the Schools' general ledgers. In addition, client payment history records were not accurately maintained and inventory of items purchased and consumed was not maintained.

The Latchkey Director did not deposit collections in a timely manner. Deposits were usually made only twice a month. Twelve of the twenty-two deposits that exceeded \$1,000 were not deposited timely nor were they adequately safeguarded.

The Latchkey Director opened a bank account that was not authorized by the Board or the Treasurer.

These practices allowed for a lack of accountability over latchkey department activity. The financial statements of the School did not contain all the financial activity of the latchkey program. Proper records were not maintained and records had to be subpoenaed so that alternative audit procedures could be performed over the activity of the latchkey program.

All cash received by the latchkey program should be deposited and recorded on the accounting records of the School. Purchases of supplies and food for the latchkey program should be made through the School's adopted purchasing system. Subsidiary records should be maintained by the Latchkey Director of all client billings and payments. Inventory of supplies and food purchased and used for the program should be maintained.

Public monies should be deposited with the Treasurer of the School or to a designated depository on the business day following the day of receipt. Monies collected and not deposited should be adequately safeguarded while they are maintained. The School should adopt a policy to ensure the timely deposit of public money and the safeguarding of money before it is deposited.

All bank accounts should be approved by the Board of Trustees and acknowledged in the minutes.



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THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INCORPORATED

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
APRIL 26, 2001**