



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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, 2001, and the related Statement of Revenues, Expenses and Changes in Retained Earnings and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Achievement Charter Schools, Inc., Franklin County, Ohio, as of June 30, 2001, and the results of its operations 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 November 2, 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.

We performed our audit to form an opinion on the financial statements of the School, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

JIM PETRO
Auditor of State

November 2, 2001

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

**BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2001**

Assets

Current Assets

| | |
|-----------------------|----------------|
| Cash and Investments | \$ 298,058 |
| Receivable - Interest | 1,303 |
| Receivable - Accounts | 13,221 |
| Receivable - Federal | 80,665 |
| Total Current Assets | <u>393,247</u> |

Non-Current Assets

| | |
|---|----------------------------|
| Fixed assets (Net of Accumulated Depreciation) | <u>818,233</u> |
| Total Assets | <u><u>\$ 1,211,480</u></u> |

Liabilities and Fund Equity

Current Liabilities

| | |
|----------------------------------|----------------|
| Accounts Payable | \$ 230,460 |
| Accrued Wages & Benefits | 178,781 |
| Compensated Absences | 7,217 |
| Capital lease payable | 184,624 |
| Payable to State Pension Systems | 36,254 |
| Total Current Liabilities | <u>637,336</u> |

Long-Term Liabilities

| | |
|-----------------------|----------------|
| Capital lease payable | <u>300,303</u> |
|-----------------------|----------------|

| | |
|-------------------|----------------|
| Total Liabilities | <u>937,639</u> |
|-------------------|----------------|

Equity

| | |
|-------------------|----------------|
| Retained Earnings | <u>273,841</u> |
| Total Equity | <u>273,841</u> |

| | |
|----------------------------|----------------------------|
| Total Liabilities & Equity | <u><u>\$ 1,211,480</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, 2001**

| | |
|--|--------------------------|
| Operating Revenues | |
| Sales | \$ 19,685 |
| Foundation Payments | 2,917,039 |
| Other Operating Revenues | <u>123,233</u> |
| Total Operating Revenues | <u>3,059,957</u> |
| | |
| Operating Expenses | |
| Salaries & Wages | 1,664,747 |
| Fringe Benefits | 433,543 |
| Purchased Services | 840,767 |
| Materials & Supplies | 215,230 |
| Depreciation | 28,060 |
| Miscellaneous | <u>31,452</u> |
| Total Operating Expenses | <u>3,213,799</u> |
| | |
| Operating Loss | (153,842) |
| | |
| Non-Operating Revenues and (Expenses) | |
| Interest Earnings | 19,712 |
| State subsidies | 40,945 |
| Federal subsidies | 378,859 |
| Interest Expense | <u>(44,775)</u> |
| Total Non-Operating Revenues and (Expenses) | <u>394,741</u> |
| | |
| Net Income | 240,899 |
| | |
| Retained Earnings, at Beginning of Year | <u>32,942</u> |
| Retained Earnings, at End of Year | <u><u>\$ 273,841</u></u> |

The Accompanying Notes are an Intergral Part of the Financial Statements

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

| | |
|---|--------------------------|
| Cash Flows Used for Operating Activities | |
| Cash received from Sales | \$ 19,685 |
| Cash received from Foundation Payments | 2,917,039 |
| Cash received from Other Operating Revenues | 110,012 |
| Cash payments for Personal Services | (2,036,202) |
| Cash payments for Contract Services | (741,269) |
| Cash payments for Supplies and Materials | (216,353) |
| Cash payments for Miscellaneous | <u>(23,736)</u> |
| Net Cash Provided by Operating Activities | <u>29,176</u> |
| Cash Flows provided by Noncapital Financing Activities | |
| Cash from Federal & State Subsidies | <u>413,545</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>413,545</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Payments for Capital Acquisitions | (327,314) |
| Payments for Interest on Capital Acquisitions | <u>(49,592)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(376,906)</u> |
| Cash Flows from Investing Activities | |
| Interest on Cash and Cash Equivalents | <u>18,409</u> |
| Net Cash Provided by Investing Activities | <u>18,409</u> |
| Net increase in Cash and Cash Equivalents | |
| | 84,224 |
| Cash and Cash equivalents at Beginning of year | <u>213,834</u> |
| Cash and Cash equivalents at End of year | <u><u>\$ 298,058</u></u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities | |
| Operating Loss | (153,842) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities | |
| Depreciation | 28,060 |
| Changes in Assets and Liabilities | |
| Accounts Receivable | (13,221) |
| Accounts Payable | 107,451 |
| Accrued Wages and Benefits | 48,010 |
| Payable to State Pension Systems | 16,573 |
| Compensated Absences | <u>(3,855)</u> |
| Total Adjustments | <u>183,018</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 29,176</u></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, 2001**

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 35 non-certified and 25 certificated full time teaching personnel who provide services to 562 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 by retained earnings. Operating statements present increases and decreases in net total assets.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(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 Investments

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

During fiscal year 2001, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, 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, 2001.

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 live of the related fixed assets.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues (Nonexchange Transactions)

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

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. During FY 2001, the school received \$50,000 in award monies. Revenue received from this program is recognized as non-operating revenue on the accompanying financial statements.

Amounts awarded under the above named programs for 2001 school year totaled \$378,859.

G. Compensated Absences

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

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

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year ended June 30, 2001, the school has implemented GASB statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Reporting for Certain Shared Nonexchange Revenues." This restatement had no material effect on retained earnings as of June 30, 2001.

4. DEPOSITS AND INVESTMENTS

The School maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. At fiscal year end, the carrying amount of the School's deposits was (\$146) and the bank balance was \$56,318. Of the bank balance \$56,318 was covered by federal depository insurance. The school invests in STAR Ohio which is not evidenced by securities that exist in physical or book-entry form and is not categorized by credit risk. The School's investment in STAR Ohio at June 30, 2001 had a fair value of \$298,204.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. RECEIVABLES

Receivables at June 30, 2001, consisted of interest receivable of \$1,303, accounts of \$13,221, and intergovernmental receivables (federal grants) totaling \$80,665. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

6. FIXED ASSETS

A summary of the School's fixed assets at June 30, 2001, follows:

| | |
|------------------------------------|-----------------------|
| Building and Building Improvements | \$ 707,847 |
| Furniture and Equipment | 134,667 |
| Computer Equipment | <u>15,249</u> |
| Subtotal | 857,763 |
| Less: Accumulated Depreciation | <u>(39,530)</u> |
| Net Fixed Assets | <u><u>818,233</u></u> |

7. 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 2001, 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.

8. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

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 years ending June 30, 2001 and 2000 were \$105,161 and \$68,252 respectively. The School has contributed \$92,644 for fiscal year 2001, and the remainder due to SERS has been recorded as a payable to State Pension Systems.

B. State Teachers Retirement System

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

Plan members and the School are required to contribute 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 years ending June 30, 2001 and 2000 were 142,416 and \$95,161 respectively. The School has contributed \$126,055 for fiscal year 2001, and the remainder due to STRS has been recorded as a payable to State Pension Systems.

9. 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 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled \$81,177 during fiscal year 2001. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and eligible benefit recipients totaled 99,011.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

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 8.45% of covered payroll to fund health care benefits. For the School, this amount equaled \$63,096 during fiscal year 2001. 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 2000, the minimum pay has been established at \$12,400. For the year ended June 30, 2000, the most recent year available, net health care costs paid by SERS were \$140,696,340, and eligible benefit recipients totaled approximately 50,000.

10. 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 2001, the total monthly premium was \$555.37 for family coverage and \$203.84 for single coverage.

11. CAPITALIZED LEASES

During fiscal years ending 2001 and 2000, the School entered into capitalized leases for office equipment, buildings, 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, 2001.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. CAPITALIZED LEASES (Continued)

| | |
|---|-------------------|
| Fiscal Year Ending June 30, | |
| 2002 | \$ 184,624 |
| 2003 | 172,603 |
| 2004 | 167,155 |
| 2005 | 50,995 |
| 2006 | <u>305</u> |
| Total minimum lease payments | 575,682 |
| Less: interest | <u>90,755</u> |
| Present Value of minimum lease payments | <u>\$ 484,927</u> |

12. 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 \$7,500 payable on or before the first day of each month.

13. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. 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, 2001.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. The effect of this suit, if any, on the School is not presently determinable.

15. 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

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 paid under this contract for fiscal year 2001 totaled \$291,704.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2001, purchased service expenses were payments for services rendered by various vendors as follows:

| | |
|---|------------------|
| Professional and Technical Services | |
| Achievement Education Services | \$291,704 |
| Educational Consulting | 19,307 |
| Legal Services | 55,027 |
| Other | <u>66,846</u> |
| Total Professional and Technical Services | \$432,884 |
| Property Services | |
| Redeemer Church | 82,500 |
| Heating and Ventilation | 29,014 |
| Paving | 53,620 |
| Copier Lease | 10,754 |
| Building Repairs | 9,060 |
| Other | <u>10,376</u> |
| Total Property Services | 195,324 |
| Travel Mileage/Meeting Expense | 6,449 |
| Communications | 18,322 |
| Utilities | 33,593 |
| Contracted Craft or Trade Services | |
| Food Service | 133,022 |
| Pupil Transportation Services | 3,983 |
| Other Purchased Services | <u>17,190</u> |
| Total Purchased Services | <u>\$840,767</u> |

17. TAX EXEMPT STATUS

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. SUBSEQUENT EVENTS

On November 12, 2001 the Achievement Education Services waived any claim to unpaid liabilities totaling \$214,639 as of June 30, 2001. These payables were result of a management contract between the School and Achievement Education Services.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

| Federal Grantor Pass through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Expenditures |
|--|----------------------------------|---------------------------|-------------------------|-------------------------|
| U.S. Department Of Agriculture | | | | |
| <i>Passed through Ohio Department of Education:</i> | | | | |
| National School Lunch Program | LL-P4 | 10.555 | 82,572 | 82,572 |
| Total | | | <u>82,572</u> | <u>82,572</u> |
| Total U.S. Department of Agriculture | | | <u><u>82,572</u></u> | <u><u>82,572</u></u> |
| U.S. Department of Education | | | | |
| <i>Passed through Ohio Department of Education:</i> | | | | |
| Title I Grants to Local Educational Agencies | C1-S1 | 84.010 | 191,687 | 209,064 |
| Special Education Cluster: | | | | |
| Special Education-Grants to States | 6B-SX | 84.027 | 4,472 | 8,368 |
| Safe and Drug Free Schools and Communities | DR-S1 | 84.186 | 5,718 | 3,069 |
| Total Special Education Cluster | | | 201,877 | 220,501 |
| Innovative Education Program Strategy | C2-S1 | 84.298 | 3,666 | - |
| Federal Start Up Grant | CH-S1 | 84.282 | 50,000 | 50,000 |
| Eisenhower Professional Development State Grant | MS-S1 | 84.281 | 5,975 | 3,842 |
| Class Size Reduction | CR-S1 | 84.340 | 29,430 | 43,244 |
| Total U.S. Department of Education | | | <u>290,948</u> | <u>317,587</u> |
| Total Federal Awards Receipts and Expenditures | | | <u><u>\$373,520</u></u> | <u><u>\$400,159</u></u> |

The accompanying note to this schedule is an integral part of this schedule

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

**NOTE TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
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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, 2001, and have issued our report thereon dated November 2, 2001. 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.

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 instances of noncompliance that we have reported to the management of the School in a separate letter dated November 2, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. A reportable condition is described in the accompanying schedule of finding as item 2001-10625-001.

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 we consider item 2001-10625-001 to be a material weakness. 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 November 2, 2001.

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

JIM PETRO
Auditor of State

November 2, 2001



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

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

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 each of its major federal programs for the year ended June 30, 2001. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of finding. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

JIM PETRO
Auditor of State

November 2, 2001

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

**SCHEDULE OF FINDING
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGA)? | Yes |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGA)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGA)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Title I Grants to Local Educational Agencies - CFDA 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

**SCHEDULE OF FINDING
JUNE 30, 2001
(Continued)**

| |
|--|
| 2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|-----------------------|----------------|
| Finding Number | 2001-10625-001 |
|-----------------------|----------------|

Fixed Assets

Since the June 30, 2000 audit, the School has implemented an inventory tracking system to assist in the recording of their assets. However, 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 help in maintaining adequate safeguards and accountability over fixed assets, and to reduce the risk that the School's fixed assets could be 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 reported 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.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|--|
| 2000-10625-001 | Effective Monitoring Controls by Management | Yes | Board has taken an active role in reviewing financial activity. |
| 2000-10625-002 | Development and Implementation of a Leave Policy | Yes | A leave policy has been developed and included in the Personnel Manual. |
| 2000-10625-003 | No Fixed Asset policy or procedures | No | Partially Corrected, reissued as Finding Number 2001-10625-001. |
| 2000-10625-004 | Monthly Bank Reconciliations were not performed | Yes | Monthly bank reconciliations are now being performed. |
| 2000-10625-005 | Authorization of Purchases | Yes | Testing indicated that purchases are being properly authorized. |
| 2000-10625-006 | Latchkey Department Activities | Yes | Latchkey activity was provided to the board on a monthly basis. |



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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
JANUARY 10, 2002**