THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

(DBA MILLENNIUM COMMUNITY SCHOOL)

Single Audit

For the Fiscal Year Ended June 30, 2007

Kennedy Cottrell Richards

Accountants & Consultants for Business & Government

Mary Taylor, CPA
Auditor of State

Board of Trustees
The Ohio Achievement Charter Schools, Inc.
DBA Millennium Community School
1850 Bostwick Road
Columbus, Ohio 43227

We have reviewed the *Independent Auditor's Report* of The Ohio Achievement Charter Schools, Inc. DBA Millennium Community School, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2006 through June 30, 2007. 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.

Findings for Recovery Repaid Under Audit.
Forty-four (44) employees of Millennium Community School were paid amounts in excess of their employment contracts during the fiscal year 2007 school year.

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

Employee Name	Finding Amount
Amie Rudder	$ 330.05
Antonio Smith	70.00
Asha Burney	250.05
Connie Schumacher	350.05
Delmineo Hollingsworth	140.00
Elliott McDaniel	350.04
Eric Bagley	230.05
Erica Mans	250.04
Glenda Pickett	550.05
James Rollins	70.00
Jamille Haynes	250.05
Janet Hobson	70.00
Jennifer Owens	350.05
Jennifer Wyant	230.05
Jermaine Mitchell	140.00
Joe Circle	70.00
Johnetta Zant	70.00
Jo Rucker	90.02

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Jovone Houpe	80.02
Kendel Coleman	250.05
Kandra Latham	250.05
Kathanie Blevins	140.00
Kimberly Robinson	458.34
LaShawn Chapman	120.04
Laurie Preston	70.00
Leroy Thornton	50.00
Melanie Dancy	250.05
Molly Vogel	500.02
Mona Brewer	700.01
Phil Fahy	140.00
Nichole Martin	940.05
Randa Hutcherson	210.00
Robin Jones	140.00
Sandra Pernell	140.00
Sean O’Brien	420.05
Shannon Jones	320.05
Sharon Banner	320.05
Sheri Givens	650.00
Shayla Poindexter	70.00
Stacy Jammeh	320.05
Takeisha Goolsby	70.00
Tiffane Warren	70.00
Todd Smith	100.03
Tonya Still	40.01
Total	$10,679.37

Pursuant to the Governing Board’s authority to set compensation, they adopted a resolution on May 15, 2008 approving these employee overpayments for work performed above and beyond their contractual duties.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 24, 2008

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

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, 2007, 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.

Except as disclosed in the following paragraph, 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, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to examine evidence regarding the School's Salaries and Wages expenses, 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, 2007, 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 Standard*s, we have also issued our report dated March 31, 2008, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
March 28, 2008

Our discussion and analysis of the Ohio Achievement Charter School's (the School) financial performance provides and overall review of the School's financial activities for the fiscal year ended June 30, 2007. 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 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 Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Net assets decreased $358,152 which represents a 24.3% decrease from 2006.

Revenues for fiscal year 2007 were $5,015,029 which represents an increase of 0.6% from 2006.

Expenses for fiscal year 2007 were $5,373,181 which represents an increase of 7.8% from 2006.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

A comparative analysis of fiscal year 2007 and 2006 follows:

Net Assets

	2007	2006
Current Assets	$ 454,636	$ 672,671
Capital Assets, Net	1,527,530	1,607,291
Total Assets	1,982,166	2,279,962
Current Liabilities	669,921	616,502
Long Term Liabilities	198,710	191,773
Total Liabilities	868,631	808,275
Net Assets:		
Invested in Capital Assets, net of debt	1,351,146	1,298,168
Unrestricted	(237,611)	173,519
Total Net Assets	$1,113,535	$1,471,687

The largest portion of the School's net assets (121.3%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The School uses capital assets to provide services; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets of the School have decreased $358,152 and unrestricted net assets reflect a negative balance of $237,611. The decrease in net assets is primarily the result of decreased enrollment with increased expenses.

Changes in Net Assets

	2007	2006
Operating Revenues:		
Sales	$ 20,375	$ 24,978
Foundation payments	4,064,198	4,238,276
Other Operating Revenues	79,525	10,874
Non-Operating Revenues:		
Investment Earnings	12,993	31,564
State subsidies	34,110	14,557
Federal subsidies	803,828	662,471
Total Revenues	5,015,029	4,982,720
Operating Expenses:		
Salaries & Wages	2,643,852	2,395,894
Fringe Benefits	919,523	836,201
Purchased Services	1,239,017	1,188,256
Materials & Supplies	305,895	268,566
Depreciation	71,040	95,266
Miscellaneous	23,296	159,304
Non-Operating Expenses:		
Interest expense	23,755	37,202
Loss on Disposal of Capital Assets	146,803	0
Total Expenses	5,373,181	4,980,689
Change in Net Assets	(358,152)	2,031
Beginning Net Assets	1,471,687	1,469,656
Ending Net Assets	$ 1,113,535	$ 1,471,687

The School's revenues decreased in all areas except other revenues and state subsidies, the decrease is primarily due to decreased enrollment over the prior school year. The increase in expenditures is due to updating textbooks and continued staffing needs.

Capital Assets

The School has $1,527,530 invested in capital assets net of depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

Debt

At June 30, 2007, the School had a balance of $137,266 on a long-term note payable and $158,250 of outstanding capital lease obligations. Note 10 to the basic financial statements summarizes the School's long-term liabilities

Budget

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 Chapter 5705, unless specifically provided in the Community School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School. The School has developed a five-year projection that is reviewed periodically by the Board of Trustees.

Restrictions and Other Limitations

The future financial stability of the School is not without challenges.

The first challenge is the state economy. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

The second challenge facing the School is the future of state funding. On October 4, 2004, a suit was filed in the US District Court, Southern District of Ohio, Western Division, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. The case is pending. The School is unable to determine what effect, if any, this decision will have on future funding from the State.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to show Graham's accountability for the money it receives. If you have questions about this report or need additional information contact the Treasurer of the Millennium Community School, 1850 Bostwick Road, Columbus, Ohio 43227.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2007

Assets	
Current Assets	
Cash and Investments	$ 252,968
Receivable - Federal	201,668
Total Current Assets	454,636
Non-Current Assets	
Capital Assets (Net of Accumulated Depreciation)	1,527,530
Total Assets	$ 1,982,166
Liabilities	
Current Liabilities	
Accounts Payable	$ 49,060
Accrued Wages & Benefits	350,220
Compensated Absences	17,413
Payable to State Pension Systems	156,422
Capital Leases Payable	40,428
Note Payable	56,378
Total Current Liabilities	669,921
Long-Term Liabilities	
Capital Leases Payable	117,822
Note Payable	80,888
Total Long-Term Liabilities	198,710
Total Liabilities	868,631
Net Assets	
Invested in Capital Assets, Net of related Debt	1,351,146
Unrestricted	(237,611)
Total Net Assets	$ 1,113,535

The accompanying Notes are an integral part of the Financial Statements

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating Revenues	
Sales	$ 20,375
Foundation Payments	4,064,198
Other Operating Revenues	79,525
Total Operating Revenues	4,164,098
Operating Expenses	
Salaries & Wages	2,643,852
Fringe Benefits	919,523
Purchased Services	1,239,017
Materials & Supplies	305,895
Depreciation	71,040
Miscellaneous	23,296
Total Operating Expenses	5,202,623
Operating Loss	(1,038,525)
Non-Operating Revenues and (Expenses)	
Interest Earnings	12,993
State Subsidies	34,110
Federal Subsidies	803,828
Interest Expense	(23,755)
Loss on Disposal of Capital Assets	(146,803)
Total Non-Operating Revenues and (Expenses)	680,373
Net Loss	(358,152)
Net Assets Beginning of Year	1,471,687
Net Assets End of Year	$ 1,113,535

The accompanying Notes are an integral part of the Financial Statements

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash Flows from Operating Activities	
Cash received from sales	$ 20,375
Cash received from Foundation Payments	4,064,198
Cash received from Other Operating Revenues	437,760
Cash payments for personal services	(3,417,633)
Cash payments for contract services	(1,289,930)
Cash payments for supplies and materials	(330,167)
Cash payments for Miscellaneous	(378,125)
Net Cash Provided By/(Used for) Operating Activities	(893,522)
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	899,066
Net Cash Provided By Noncapital Financing Activites	899,066
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(16,975)
Payments of Principal on Capital Debt	(134,714)
Payments for Interest on Capital Acquisitions	(23,755)
Net Cash Used for Capital and Related Financing Activities	(175,444)
Cash Flows from Investing Activities	
Interest on cash and cash equivalents	12,993
Net Cash Provided By Investing activites	12,993
Net decrease in cash and cash equivalents :	(156,907)
Cash and cash equivalents at beginning of year	409,875
Cash and cash equivalents at end of year	$ 252,968
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities	
Operating Loss	(1,038,525)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities	
Depreciation	71,040
Changes in Assets and Liabilities:	
Accounts Payable	7,506
Accrued Wages and Benefits	28,776
Payable to State Pension Systems	35,794
Compensated Absences	1,887
Total Adjustments	145,003
Net cash provided (used) by operating activities	$ (893,522)

The accompanying Notes are an integral part of the Financial Statements

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 fifth 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 originally approved for operation under contract with the Ohio Department of Education (the Sponsor). 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 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 22 non-certified and 24 certificated full time teaching personnel who provide services to 554 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 to its enterprise fund. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School uses enterprise accounting to maintain its financial records during the school year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

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 statement of net assets. Operating statements present increases and decreases 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 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 2007, 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, 2007. 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.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital 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 are 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 capital assets.

Assets	Years
Buildings	50
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 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.

Amounts awarded under the above named programs for 2007 school year totaled $4,902,136.

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.

H. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are the necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. 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 those estimates.

3. DEPOSITS AND INVESTMENTS

Deposits: The carrying value of the School's deposits totaled ($159,294), and the bank balance totaled $31,000, all of which was covered by federal depository insurance.

Investments of the School as of June 30, 2007 were as follows:

Investments	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	$270,238	0.00
STAR Ohio	142,024	0.00
Total Investments	$412,262	

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.

4. RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental receivables (federal grants) of $201,668. 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. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2007, follows:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Capital Assets being depreciated				
Building and Building Improvements	$1,617,772	$ -	$ -	$1,617,772
Furniture and Equipment	273,642	76,452	(167,758)	182,336
Computer Equipment	146,598	10,993	-	157,591
Subtotal	2,038,012	87,445	(167,758)	1,957,699
Accumulated Depreciation				
Building & Building Improvements	(187,077)	(43,095)	-	(230,172)
Furniture & Equipment	(124,160)	(17,446)	71,592	(70,014)
Computer Equipment	(119,484)	(10,499)	-	(129,983)
Subtotal	(430,721)	(71,040)	71,592	(430,169)
Net Capital Assets	$1,607,291	$16,405	$(96,166)	$1,527,530

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 2007, the School contracted with Peerless Insurance Company for the following insurance coverage:

Commercial General Liability (per occurrence)	$ 1,000,000
Commercial General Liability (aggregate)	$ 2,000,000
Employee Benefits Liability (per employee)	$ 1,000,000
Employee Benefits Liability (aggregate)	$ 3,000,000
School Leader Errors and Omissions Liability (per occurrence)	$ 1,000,000
School Leader Errors and Omissions Liability (aggregate)	$ 1,000,000
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. 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, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate, currently 14%. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2007, 2006, and 2005 was $162,511, $176,351 and $163,197 respectively. 80.5% has been contributed for fiscal year 2007 and 100% for 2006 and 2005.

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 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on members contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 or the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are only entitled to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School’s required contribution for pension obligations to STRS Ohio for the years ending June 30, 2007, 2006, and 2005 was $256,246, $348,909 and $274,610 respectively. 88.7% has been contributed for fiscal year 2007, and 100% for 2006 and 2005.

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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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 1.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled $16,241 during fiscal year 2007. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and eligible benefit recipients totaled 119,184.

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 3.42% of covered payroll to fund health care benefits. For the School, this amount equaled $31,966 during fiscal year 2006. 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 2006, the minimum pay has been established at $35,800. For the year ended June 30, 2006, the most recent year available, net assets available for payment of health care costs were $295.6 million, and eligible benefit recipients totaled 59,492.

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 2007; the total monthly premium was $1,046 for family coverage and $336 for single coverage.

10. LONG-TERM DEBT

A schedule of changes in long-term debt during the fiscal year follows:

Description	Balance 7/1/2006	Increases	Decreases	Balance 6/30/2007	Due In One Year
Park National Bank Note Payable 6.25%, matures 10/17/2010	$ 189,843	$ -	$ (52,577)	$ 137,266	$ 56,378
Capital Leases Payable	119,280	121,107	(82,137)	$ 158,250	40,428
Total	$ 309,123	$ 121,107	$ (134,714)	$ 295,516	$ 96,806

CAPITALIZED LEASES

During fiscal years ending 2005, 2004 and 2003, the School entered into capitalized leases for office equipment, buildings, food service equipment, a telephone system and a tractor. During fiscal year 2007, the school retired the capitalized leases for the office equipment, food service equipment, telephone system and the tractor as well as entering into a capitalized lease for copiers, which includes a buyout of the old copiers. The new lease meets 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, 2007.

Fiscal Year Ending June 30,	
2008	$ 55,652
2009	42,492
2010	42,492
2011	42,492
2012	14,170
Total minimum lease payments	197,298
Less: interest	39,048
Present Value of minimum lease payments	$ 158,250

NOTES PAYABLE

The Note payable for the school as of June 30, 2007 is as follows:

A promissory note was issued in Fiscal Year 2003 through Park National Bank. The note has a variable interest rate adjusted to the prime rate every October with the current rate being 7.5%. The proceeds from the note were used to pay off the capital lease of the modular buildings with Tatonka, Inc.

The annual requirement to amortize outstanding note debt as of June 30, 2007, including interest is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2008	56,378	7,823
2009	60,454	3,747
2010	20,434	967
Totals	$137,266	$12,537

11. OTHER LEASES

During fiscal year 2000, the School entered into a lease agreement with the Obermiller, LLC for approximately six acres of property and the building located at the School. The initial term of the lease commenced May 1, 2000. An additional two year lease commenced July 1, 2006. Total rent expense for fiscal year 2007 was $174,000. The terms of the lease require payments of $174,000 for fiscal year 2008.

12. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school funding scheme that is thorough and efficient…". As of the date of these financial statements, the School is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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 are 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, 2007.

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. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case is set for oral argument on November 18th, 2003. On August 24, 2004 the Court of Appeals rendered a decision that Community Schools are part of the state education system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if and on the school is not presently determinable.

C. FULL-TIME EQUIVALENCY REVIEWS

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The School had it last FTE review performed during the 2006-2007 school year which resulted in an overpayment of $17,139. This amount will be repaid to ODE through deductions from future foundation payments.

14. SPONSOR

The School contracted with Educational Resource Consultants of Ohio (ERCO) on April 24, 2006 to provide sponsorship services through June 30, 2007. The School pays ERCO 1.75% of monthly foundation payments. The total fees paid under this contract for fiscal year 2007 totaled $57,971. The sponsor provides oversight, monitoring, treasury and technical assistance for the School.

15. PURCHASED SERVICES EXPENSES

For the year ended June 30, 2007, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	$ 696,359
Property Services	284,473
Travel Mileage/Meeting Expense	38,896
Communications	58,921
Utilities	92,918
Contracted Craft or Trade Services	207
Other Purchased Services	67,243
Total Purchased Services	$ 1,239,017

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. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education:				
Nutrition Cluster:				
School Breakfast Program	10.553	05PU-2006	$ 19,094	$ 19,094
		05PU-2007	65,528	65,528
			84,622	84,622
National School Lunch Program	10.555	LLP4-2006	32,447	32,447
		LLP4-2007	76,570	76,570
			109,017	109,017
Total U.S. Department of Agriculture			193,639	193,639
U.S. DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education:				
Title I - Part A	84.010	C1S1-2006	180,535	121,934
Title I - Part A		C1S1-2007	222,303	370,091
Title I - School Improvement Program		C1SK-2006	12,300	1,664
Title I - School Improvement Program		C1SK-2007	15,062	20,500
			430,200	514,189
Special Education Cluster:				
Title VI-B - Special Education Grants to States	84.027	6BSF-2006	56,921	16,121
		6BSF-2007	134,283	134,703
			191,204	150,824
IDEA Part B - Special Education Preschool Grants	84.173	PGS1-2007	184	1,598
Total Special Education Cluster			191,388	152,422
Title IV - Safe and Drug-Free Schools and Communities	84.186	DRS1-2007	3,695	7,768
Title V - Innovative Education Program	84.298	C2S1-2006	2,169	-
		C2S1-2007	1,129	1,129
			3,298	1,129
Title II-D - Education Technology State Grants	84.318	TJS1-2007	1,493	8,742
Title II-A - Improving Teacher Quality	84.367	TRS1-2006	15,399	(159)
		TRS1-2007	52,681	40,773
			68,080	40,614
Total U.S. Department of Education			698,154	724,864
Total Federal Awards Receipts and Expenditures			$ 891,793	$ 918,503

The accompanying notes are an integral part of this statement.

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Note 1. Basis of Presentation

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

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

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

To the Board of Trustees:

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, 2007, and have issued our report thereon dated March 28, 2008. Except as discussed in that report, wherein we indicated that we were not able to examine evidence regarding the School's Salaries and Wages expenses, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2007-001 through 2007-003 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above are material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We also noted certain additional matters that we reported to management of the School in a separate letter dated March 28, 2008.

The School's responses to the findings identified in our audit 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.

This report is intended for the information and use of the audit committee, 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.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
March 28, 2008

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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

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

To the Board of Trustees:

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, 2007. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 Organization*s. 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.

As discussed in findings 2007-004 and 2007-005 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the School's compliance with the Allowable Costs/Cost Principles requirements of its Title I program, nor were we able to satisfy ourselves as to the School's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School's compliance with the Allowable Costs/Cost Principles of its Title I program, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-004 and 2007-005 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-004 and 2007-005 to be material weaknesses.

The School's responses to the findings identified in our audit 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.

This report is intended for the information and use of the audit committee, 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.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
March 28, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(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 – 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

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

Finding Number	2007-001

MATERIAL WEAKNESS: FINANCIAL REPORTING

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the School. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified material misstatements in the School's financial statements and the related footnotes, as well as other misstatements that were not necessarily material, but were more than inconsequential. We provided adjusting entries to the Treasurer that were posted to correct the misstatements. The misstatements are an indicator the School needs to improve or strengthen their existing control procedures related to financial reporting.

We recommend the School consider modifying the existing control procedures over the financial reporting process to include an independent review of the financial statements and the related journal entries. The review should be conducted by an individual that is knowledgeable of generally accepted accounting principles and the review should take place prior to the start of the audit.

<u>Officials' Response</u>

The School already has plans in place to modify the existing control procedures to include internal audits and independent reviews of the financial statements and related journal entries prior to the start of the FY08 audit.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2007

Finding Number	2007-002

MATERIAL WEAKNESS: MAINTENANCE OF RECORDS

Ohio Administrative Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

During our procedures, we noted in many instances that the School's records to support financial statement transactions and legal compliance were not maintained in a complete, clear, and organized in manner, as follows:

- 7 of the 61 non-payroll disbursements we tested were not supported by adequate documentation, such as invoices from the vendor;
- 9 of the 18 credit card bills we tested were not supported by detailed receipts supporting the charges;
- 3 of the 60 payroll disbursements we tested were not able to be recalculated based on the employee's approved contract rate due to there being no support documentation for payment docks;
- 15 of the 16 payroll disbursements we tested related to non-contract services were not supported by approved timesheets.

As a result of the lack of payroll documentation, we were not able to obtain sufficient evidential matter pertaining to the School's Salaries and Wages expenses reported in its financial statements.

We recommend the School's management implement policies and procedures to ensure that the School's accounting records are maintained in a sufficient and organized manner to maintain financial accountability and document compliance with legal requirements.

<u>Officials' Response</u>

The School hired Mangen & Associates in April 2008 to provide treasurer and financial management services. The School plans to implement the M&A recommended policies and procedures to ensure the accounting records are maintained in a sufficient and organized manner.

Finding Number	2007-003

MATERIAL WEAKNESS: BANK RECONCILIATIONS

It is management's responsibility to ensure that an adequate internal control structure is placed in operation to: prevent or detect misstatements in the accounting records; safeguard the entity's assets against loss; help ensure compliance with laws and regulations; and, provide a basis for measuring whether operations are achieving management's objectives. An effective internal control structure requires that cash reconciliation procedures be performed on a periodic basis.

During our testing we were unable to obtain any evidence that monthly bank to book reconciliations were performed during the fiscal year. The school did not attempt to reconcile its bank accounts until more than six months after the fiscal year end. Once the reconciliations were completed, we determined that the school was unreconciled by the amount of $54,774 at June 30, 2007. The following is a summary of the reasons why the District was unreconciled:

- Several checks were typed instead of printed from the accounting system resulting in some of the checks never being entered into the accounting system and some that were entered into the accounting system at the incorrect amount;

- Several check numbers in the accounting system did not match the actual check;

- Interest receipts were not posted to the accounting system for several months;

- More payroll expenditures were recorded on the accounting system than were actually spent.

We recommend School's management devise and implement procedures requiring the timely performance monthly cash reconciliations. In addition, we recommend reconciliation procedures be monitored, and that supervisory approval of the reconciliation be documented appropriately to help ensure the reconciliations are consistently performed.

<u>Officials' Response</u>

The School's new treasurer will ensure timely performance of monthly cash reconciliations. The accountant will prepare the bank reconciliations as a part of the monthly close process. The completed reconciliations are then reviewed by the treasurer to ensure the each monthly reconciliation is consistently (and accurately) prepared.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Title and Number	Title 1 Grants to Local Education Agencies - CFDA 84.010
Federal Award Number / Year	C1S1-2006, C1S1-2007, C1SK-2006, C1SK-2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2007-004

NONCOMPLIANCE AND MATERIAL WEAKNESS: FEDERAL NON-PAYROLL DISBURSEMENTS

OMB Circular A-87, Attachment A, Section 8(h)(3), states, in part, to be allowable under Federal awards, costs must adequately documented.

During our testing of Title I non-payroll expenses we noted 22 of the 40 expenditures were not supported by adequate documentation, such as an invoice from the vendor.

Without such documentation, the risk is increased that disbursements could be inappropriately charged to a federal grant program. The total non-payroll charges to the Title I grant for fiscal year 2007 were $217,775. Of this amount, we consider $20,373 to be a questioned cost. Projected to the entire population of nonpayroll disbursements, the questioned cost comes to $33,657.

We recommend the School's management implement policies and procedures to ensure that the School's accounting expenditures are properly supported. Also, the School should assign a supervisory official having the requisite knowledge of grant requirements to monitor and approve grant expenditures to ensure that only allowable charges are being made to grant funds.

Officials' Response and Corrective Action Plan

The School hired Mangen & Associates in April 2008 to provide treasurer and financial management services. The School plans to implement the M&A recommended policies and procedures to ensure the accounting records are maintained in a sufficient and organized manner. M&A will also provide oversight of federal grants by a trained CCIP Coordinator.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2007

CFDA Title and Number	Title 1 Grants to Local Education Agencies - CFDA 84.010
Federal Award Number / Year	C1S1-2006, C1S1-2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2007-005

NONCOMPLIANCE AND MATERIAL WEAKNESS: FEDERAL PAYROLL DOCUMENTATION

OMB Circular A-87, Attachment B, Section 8(h)(3), states, in part:

> Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Furthermore, OMB Circular A-87, Attachment B, Section 8(h)(4), states, in part:

> Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation….Such documentary support will be required where employees work on:
>
> (a) More than one Federal award,
> (b) A Federal award and a non Federal award,
> (c) An indirect cost activity and a direct cost activity,
> (d) Two or more indirect activities which are allocated using different allocation bases, or
> (e) An unallowable activity and a direct or indirect cost activity.

For payroll disbursements charged to the grant during the year, the School either did not prepare the required semi-annual certifications for those personnel who were paid solely from Title I funds, or they did not utilize timesheets that documented time devoted to federal grants by personnel who worked on multiple federal and/or non-federal activities. Without such documentation, the risk is increased that salaries and related fringe benefits could be inappropriately charged to a federal grant program. The total payroll charges, including fringe benefits, to the Title I grant for fiscal year 2007 were $293,797. We consider the entire amount to be a questioned cost.

We recommend that the School assign a supervisory official having first hand knowledge of the work performed by grant employees to prepare semi-annual certifications documenting which employees worked solely on one grant program. Also, the School should immediately begin utilizing timesheets that document the distribution of time for employees that work between multiple federal and/or non-federal activities.

<u>Officials' Response and Corrective Action Plan</u>

The School has plans in place to prepare semi-annual certifications for grant-funded employees and to utilize time sheets that document the distribution of time employee's work between multiple federal grant and/or non-grant activities.

THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505

JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain:*
2006-001	Maintenance of Records	No	Not corrected. Reported as finding number 2007-001.
2006-002	Monthly claim for reimbursement reporting	Yes	
2006-003	Ohio Department of Education Reporting	Yes	
2006-004	Federal Payroll Documentation	No	Not corrected. Reported as finding number 2007-005

**THE OHIO ACHIEVEMENT CHARTER SCHOOLS, INC.,
DBA
MILLENNIUM COMMUNITY SCHOOL**

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2008**

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