FCI ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

FCI ACADEMY
FRANKLIN COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board of Directors:

We have audited the accompanying basic financial statements of the FCI Academy, Franklin County, Ohio (the Academy), 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 Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidence to support the completeness of reported capital assets nor were we able to satisfy ourselves by other auditing procedures. Capital assets represent 67 percent and 135 percent of the Academy's assets and net assets, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves concerning reported capital assets as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the FCI Academy, 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 Standards*, we have also issued our report dated December 14, 2007, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2007
UNAUDITED

The discussion and analysis of FCI Academy (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were $1,272,072.
- Total Liabilities were $641,388.
- Change in Net Assets was $541,997.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (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 statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during fiscal year 2007?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets at June 30, 2007 compared to fiscal year 2006:

Table 1
Net Assets

	2007	2006
Assets		
Current Assets	$ 421,788	$ 290,568
Capital Assets, Net	850,284	106,460
Total Assets	1,272,072	397,028
Liabilities		
Current Liabilities	641,388	308,341
Total Liabilities	641,388	308,341
Net Assets		
Invested In Capital Assets, net of debt	704,918	103,534
Restricted	342,086	30,547
Unrestricted	(416,320)	(45,394)
Total Net Assets	$ 630,684	$ 88,687

The current assets and capital assets as well as the current liabilities of the Academy increased significantly from fiscal year 2006 to fiscal year 2007. These increases are attributable to the continued growth of the Academy and the corresponding increase in ADM.

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the fiscal year compared to fiscal year 2006:

Table 2
Change in Net Assets

	2007	2006
Operating Revenue		
Foundation Basic Aid	$ 3,662,225	$ 1,530,469
Poverty-Based Assistance	-	43,422
Special Education	214,743	68,488
Food Services	31,816	11,391
Other	27,993	25,021
Total Operating Revenues	3,936,777	1,678,791
Operating Expenses		
Salaries	2,248,616	876,850
Fringe Benefits	477,627	158,917
Purchased Services	998,231	647,761
Materials and Supplies	261,540	273,777
Cost of Sales	134,692	53,246
Depreciation Expense	170,376	13,950
Other	47,664	15,855
Total Operating Expenses	4,338,746	2,040,356
Non-Operating Revenues and (Expenses)		
Operating Grants	931,814	598,553
Contributions and Donations	19,142	7,525
Interest Income	2	3
Interest and Fiscal Charges	(6,992)	(5,421)
Total Non-Operating Revenues and (Expenses)	943,966	600,660
Increase/(Decrease) in Net Assets	$ 541,997	$ 239,095

State Foundation Basic Aid and Special Education, as a whole, are the primary support for the Academy, representing 98.5 percent of the operating revenue. Salaries and Fringe Benefits comprise 62.8 percent of operating expenses.

The Academy had total revenues of $4,887,735, and total expenses of $4,345,738. The change in net assets for the year was an increase of $541,997. This increase shows the Academy is meeting its obligations.

Capital Assets

At the end of fiscal year June 30, 2007, the Academy had $850,284 (net of $189,041 in accumulated depreciation) invested in capital assets. Table 3 shows balances at June 30, 2007 compared to fiscal year 2006:

Table 3
Capital Assets at June 30
(Net of Depreciation)

	2007	2006
Equipment	$ 573,926	$ 81,979
Leasehold Improvments	276,358	24,481
Totals	$ 850,284	$ 106,460

For more information on capital assets, see note 4 to the basic financial statements.

Debt:

At June 30, 2007 the Academy had $145,366 in a Note Payable, all of which is due within one year. Table 4 summarizes the debt outstanding for fiscal year 2007 compared to 2006.

Table 4
Outstanding Debt, Fiscal Yearend

	2007	2006
Miracit Development Corporation Note 7.00%, Issued 6/1/07, Matures 12/1/07	$ 145,366	$ 23,985

Current Financial Issues

The inclusion of the Lucas County Educational Service Center as the Academy's fiscal agent greatly improves its internal control structure and the quality of its financial records. During the fiscal year ended June 30, 2007, there were approximately 607 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for this fiscal year amounted to $5,403 per student.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Sharon Francis, Business Manager, 2177 Mock Road, Columbus, Ohio or e-mail at safrancis@miracit.org.

FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:	
Current Assets:	
Cash and Cash Equivalents	$ 37,597
Intergovernmental Receivables	364,217
Prepaid Items	19,974
Total Current Assets	421,788
Noncurrent Assets:	
Capital Assets, Net	850,284
Total Noncurrent Assets	850,284
Total Assets	1,272,072
Liabilities:	
Current Liabilities:	
Accounts Payable	168,197
Accrued Wages and Benefits Payable	232,691
Intergovernmental Payable	83,803
Compensated Absences	4,501
Accrued Interest Payable	6,830
Note Payable	145,366
Total Current Liabilities	641,388
Total Liabilities	641,388
Net Assets:	
Invested in Capital Assets, net of related related debt	704,918
Restricted	342,086
Unrestricted	(416,320)
Total Net Assets	$ 630,684

See Accompanying Notes to the Basic Financial Statements

FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating Revenues:		
Foundation Basic Aid	$	3,662,225
Special Education		214,743
Food Service		31,816
Other Operating Revenue		27,993
Total Operating Revenues		3,936,777
Operating Expenses:		
Salaries		2,248,616
Fringe Benefits		477,627
Purchased Services		998,231
Materials and Supplies		261,540
Cost of Sales		134,692
Depreciation		170,376
Other Operating Expenses		47,664
Total Operating Expenses		4,338,746
Operating Loss		(401,969)
Non-Operating Revenues and (Expenses):		
Operating Grants		931,814
Contributions and Donations		19,142
Interest Income		2
Interest and Fiscal Expense		(6,992)
Total Non-Operating Revenues and (Expenses)		943,966
Change in Net Assets		541,997
Net Assets at Beginning of Year		88,687
Net Assets at End of Year	$	630,684

See Accompanying Notes to the Basic Financial Statements

FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 3,876,968
Cash Received from Food Service	31,816
Cash Received from Other Operating Sources	27,993
Cash Payments to Suppliers for Goods and Services	(1,397,309)
Cash Payments to Employees for Services	(2,121,121)
Cash Payments for Employee Benefits	(429,360)
Cash Payments for Other Operating Uses	(47,763)
Net Cash Used for Operating Activities	(58,776)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants-Federal	749,153
Cash Received from Operating Grants-State	10,631
Cash Received from Contributions and Donations	12,764
Net Cash Provided by Noncapital Financing Activities	772,548
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(750,411)
Cash Payments for Principal	(23,985)
Cash Payments for Interest and Fiscal Charges	(162)
Net Cash Used for Capital and Related Financing Activities	(774,558)
Cash Flows from Investing Activities:	
Cash Received from Interest	2
Net Cash Provided by Investing Activities	2
Net Decrease in Cash and Cash Equivalents	(60,784)
Cash and Cash Equivalents at Beginning of Year	98,381
Cash and Cash Equivalents at End of Year	$ 37,597

(Continued)

FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	Amounts
Operating Loss	$ (401,969)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	170,376
Donated Commodities Recorded During Fiscal Year	6,378
Changes in Assets and Liabilities:	
Increase in Inventory For Sale	(19,974)
Increase in Accounts Payable	16,538
Increase in Accrued Wages	122,994
Increase in Intergovernmental Payable	42,380
Increase in Compensated Absences	4,501
Total Adjustments	343,193
Net Cash Used for Operating Activities	$ (58,776)

See Accompanying Notes to the Basic Financial Statements

Non-Cash Transactions
During fiscal year 2007, the Academy recorded donated commodities in the amount of $6,378. Also, Miracit Development Corporation made leasehold improvement of $250,043 and the Academy signed a note payable for same. This note payable was replaced with a note payable in the amount of $145,366.

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1. DESCRIPTION OF THE REPORTING ENTITY

FCI Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparation for college, career and life. The Academy operates on a foundation which fosters character building for all students, parents, and staff members. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing September 20, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Sponsor shall serve as the Chief Fiscal Officer of the Academy (See Note 10).

The Academy operates under the direction of a seven member Governing Board. The Governing 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 Governing Board controls the Academy's instructional/support facilities staffed by 38 non-certificated, 41 certificated full time teaching personnel who provide services to 607 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before August 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets cash flow needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid Program and the State Special Education Program. Revenues 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 are met.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,500. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Equipment	5
Leasehold Improvements	5-15

I. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Academy did not have any net assets restricted by enabling legislation at fiscal year end.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

K. 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

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits was $37,597 and the bank balance was $65,799. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, $65,799 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 06/30/2006	Additions	Deductions	Balance 06/30/2007
Capital Assets:				
Equipment	$ 90,378	$ 632,923	$ -	$ 723,301
Leasehold Improvements	34,747	281,277	-	316,024
Totals Capital Assets	125,125	914,200	-	1,039,325
Less Accumulated Depreciation:				
Equipment	(8,399)	(140,976)		(149,375)
Leasehold Improvements	(10,266)	(29,400)	-	(39,666)
Total Accumulated Depreciation	(18,665)	(170,376)	-	(189,041)
Capital Assets, Net	$ 106,460	$ 743,824	$ -	$ 850,284

The Academy has an operating lease for the period July 1, 2004 through June 30, 2009 with Living Faith Apostolic Church to lease a school facility. The Base rental of the lease is zero dollars. However, monthly payments are required of $33,076 as a pro rate share of the annual operating costs and overhead of the building based on an amendment dated September 26, 2006. Payments in the amount of $360,013 were paid during fiscal year 2007. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

5. OPERATING LEASES

The Academy has three operating lease with two for the period November 1, 2005 through June 30, 2010 and one for the period July 4, 2004 through June 2009. The leases are with MiraCit Development Corporation to lease school facilities. The Base rental of the leases is zero dollars. However, monthly payments are required of $18,257 as a pro rate share of the annual operating costs and overhead of the building. Payments in the amount of $223,224 were paid during fiscal year 2007.

The following minimum lease payments will be made for fiscal year ending:

Fiscal Year Ending June 30,	Living Faith Church	Miracit Corporation
2008	$ 396,914	$ 219,091
2009	396,914	219,091
2010	-	219,091
Totals	$ 793,828	$ 657,273

6. DEBT

Debt activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 06/30/2006	**Issued**	**Redeemed**	**Balance 06/30/2007**	**Due Within One Year**
Notes Payable:					
Miracit Development Corporation 5.25% Issued 12/30/04 Matures 1/15/07	$ 23,985	$ -	$ 23,985	$ -	$ -
Miracit Development Corporation 7.00% Issued 1/26/07 Matured 05/31/07	-	250,043	250,043	-	-
Miracit Development Corporation 7.00% Issued 6/01/07 Matures 12/01/07	-	145,366		145,366	145,366
Totals	$ 23,985	$ 395,409	$ 274,028	$ 145,366	$ 145,366

The above notes payable represent operating loans for the start up of the Academy.

7. RISK MANAGEMENT

A. Insurance Coverage

The Academy 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. During the fiscal year ending June 30, 2007, the Academy contracted for the following insurance coverage:

Coverage Provided by Guide One Mutual Insurance Company:

General Liability:	
Each Occurrence	$1,000,000
Aggregate	$3,000,000

B. Workers' Compensation

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for fiscal year ending June 30, 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2007, 2006 and 2005 was $90,866, $37,277 and $16,753; 41.7 percent has been contributed for fiscal year June 30, 2007 and 100% for fiscal years 2006 and 2005. $53,017 represents the unpaid contribution for fiscal year ended 2007. The balance is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year June 30, 2007, plan members were 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. The Academy's required contribution for pension obligations for the fiscal years June 30, 2007, 2006 and 2005 was $147,905, $69,196 and $16,423; 95.01 percent has been contributed for fiscal year June 30, 2007 and 100% has been contributed for fiscal years 2006 and 2005. $7,374 represents the unpaid contribution for fiscal year 2007. The balance outstanding is reflected as an intergovernmental payable.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation is 3.42 percent. 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 2007, the minimum pay was established at $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health care costs for the year ending June 30, 2006 (the latest information available), were $158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 59,492.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2007, the Board allocated employer contributions equal to 3.42 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the Academy, the amount to fund health care benefits, including surcharge, equaled $19,676 for the fiscal year 2007.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care benefits are financed on a pay as you go basis. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

9. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was $3.5 billion as of June 30, 2006. For the Academy, this amount equaled $12,453 for the fiscal year ended June 30, 2007.

For the fiscal year ended June 30, 2006 (the latest information available) net health care costs paid by STRS Ohio were $282,743,000. There were 119,184 eligible benefit recipients.

10. FISCAL AGENT

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center (the Sponsor) to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. Total contract payments of $114,075 were paid during the year.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;

- Maintain all books and accounts of the Academy;

- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;

- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;

- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and

11. PURCHASED SERVICES

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

Professional and Technical Services	$	249,703
Property Services		662,344
Travel		46,481
Communications		35,127
Contracted Craft or Trade Service		4,000
Pupil Transportation		576
Total Purchased Services	$	998,231

12. COMPENSATED ABSENCES

After three months of service, employees begin to accumulate personal/sick time at the rate of 4 hours for each pay period of continuous service. Employees accumulate no more than eighty hours of personal/sick leave time during any one calendar year. All personal/sick time that has accumulated during the calendar year cannot carry forward into the subsequent calendar year. In the event an employee has unused accumulated personal/sick leave upon termination of his or her employment with the Academy, the employee forfeits 70 percent of the unused personal/sick leave balance and is paid 30 percent of the unused accumulated personal/sick leave based upon the current rate of pay subject to all applicable payroll deductions. At fiscal year end compensated absences payable totaled $4,501.

13. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. School Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the fiscal year 2007 review revealed no material adjustments to the Academy's school funding.

C. Litigation

A suit was filed in US District Court, Southern District of Ohio, Western Division on October 6, 2004, 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 still pending. The effect of this suit, if any, on the Academy is not presently determinable.

14. RELATED PARTY TRANSACTIONS

The Academy operates within the Living Faith Apostolic Church (LFAC). Certain personnel of MiraCit Development Corporation, a non-profit community development organization established by LFAC, also serve as management of the Academy.

During fiscal year 2007, the Academy reimbursed LFAC $31,221 and MiraCit Development Corp $531,527 for the Academy's portion of operating costs. The Academy also entered into notes payable with MiraCit Development Corp to repay such amounts. At June 30, 2007, $145,366 was unpaid and reflected as notes payable in the accompanying financial statements.

The Academy entered into a sponsorship agreement with the Lucas County Educational Service Center (LCESC) on September 20, 2004, whereby terms of the sponsorship were established. That agreement requires the Academy to pay to the sponsor ½ of 1% of the per pupil allotment paid to the Academy by the State of Ohio. A total of $19,384 of sponsorship fees was paid by the Academy to LCESC during fiscal year 2007.

FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S DEPARTMENT OF AGRICULTURE						
Passed Through the Ohio Department of Education						
Child Nutrition Cluster:						
School Breakfast Program	000585-05PU-2007	10.553	$ 24,257	$ -	$ 24,257	$ -
National School Lunch Program	000585-LLP4-2007	10.555	122,608	-	122,608	-
Total Child Nutrition Cluster			146,865	-	146,865	-
Total U.S. Department of Agriculture			**146,865**	**-**	**146,865**	**-**
U.S. DEPARTMENT OF EDUCATION						
Passed Through the Ohio Department of Education						
Special Education Cluster:						
Special Education Grants to States	000585-6BSF-2006	84.027	46,639	-	17,277	-
	000585-6BSF-2007		51,224	-	68,579	-
Total Special Education Grants to States			97,863	-	85,856	-
Title I Grants to Local Educational Agencies	000585-C1S1-2006	84.010	68,480	-	28,406	-
	000585-C1S1-2007		275,984	-	362,082	-
Total Title I Grants to Local Educational Agencies			344,464	-	390,488	-
State Grants for Innovative Programs	000585-C2S1-2006	84.298	64	-	-	-
	000585-C2S1-2007		42	-	-	-
Total State Grants for Innovative Programs			106	-	-	-
Improving Teacher Quality State Grants	000585-TRS1-2006	84.367	7,569	-	7,090	-
	000585-TRS1-2007		4,774	-	5,474	-
Total Improving Teacher Quality State Grants			12,343	-	12,564	-
Safe and Drug-Free Schools and Communities State Grants	000585-DRS1-2007	84.186	295	-	3,147	-
Education Technology State Grants	000585-TJS1-2006	84.318	2,259	-	2,773	-
	000585-TJS1-2007		188	-	188	-
Total Education Technology State Grants			2,447	-	2,961	-
Charter Schools	000585-CHS1-2006	84.282	12,716		29,998	
	000585-CHS1-2007		131,065		121,961	
Total Charter Schools			143,781	-	151,959	-
Total U.S. Department of Education			**601,299**	**-**	**646,975**	**-**
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			**$ 748,164**	**$ -**	**$ 793,840**	**$ -**

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

FCI ACADEMY
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - MATCHING REQUIREMENTS

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

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board of Directors:

We have audited the financial statements of the FCI Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We qualified our opinion on capital assets because we were unable to obtain sufficient evidence to support the completeness of reported capital assets nor were we able to satisfy ourselves by other auditing procedures. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated December 14, 2007.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated December 14, 2007.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 14, 2007

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board of Directors:

Compliance

We have audited the compliance of the FCI Academy, Franklin County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007. In a separate letter to the Academy's management dated December 14, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

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

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 14, 2007

FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
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 control 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)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.282 – Charter Schools
(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 (Continued)

Finding Number	**2007-001**

Significant Deficiency / Material Weakness
Capital Assets

The Academy has not established procedures for tracking capital asset additions and deletions and, as a result, the Academy is unable to demonstrate what comprises the capital asset balance recorded on the financial statements.

Without procedures in place for tracking and reporting capital assets, accurate financial reporting and physical accountability of such assets may be compromised.

We recommend the Academy develop a capital asset system to track capital asset additions and disposals, which will provide an accurate inventory of capital assets at any time. The capital asset system should include the asset tag number and location, the original/historical cost, date of acquisition, useful life, annual depreciation, accumulated depreciation, and current book value.

Periodic physical inventory of capital assets should also be performed and reconciled to the capital asset listing to ensure the capital asset listing is complete and accurate.

Officials' Response

The Board implemented a Fixed Assets Policy and Accounting Guidelines for tracking capital asset additions and deletions as a result of the recommendations of the fiscal year 2006 audit. The Academy is currently utilizing electronic bar coding to identify and track all capital assets which meet the thresholds set in the Fixed Asset Policy. Periodic inventory has and is being performed to ensure the accuracy of the listing. The business manager will coordinate with the school treasurer to input the electronic data in the financial reporting software in order to maintain up-to-date information regarding the current book value of the Academy's fixed assets.

Finding Number	**2007- 002**

Significant Deficiency
Cash Collection Policy

Throughout fiscal year 2007, the Academy was collecting cash for student fees, student trips, and fundraisers without a written cash collection policy.

Failure to adopt a cash collection policy increases the likelihood that cash collected will not be deposited into the Academy's bank account and/or will not be properly posted to the Academy's ledgers.

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

Finding Number	**2007- 002 (Continued)**

Cash Collection Policy (Continued)

We recommend the Board adopt a written policy regarding cash collection procedures. At a minimum, this policy should indicate which employees are approved to handle cash, for which situations employees are approved to handle cash, a description of proper supporting receipt documentation to be maintained for cash collections, when cash is to be deposited into the Academy's bank accounts, and the appropriate safeguard procedures for any undeposited cash.

Officials' Response

The Finance Committee is in the process of developing a formal policy for the handling of cash receipts. The policy will stipulate which employees are approved to handle cash, for which situations employees are approved to handle cash, the appropriate documentation required, bank deposit procedures, and safeguards for undeposited cash funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
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	Capital Assets	No	Not fully corrected, this comment is being repeated as finding 2007-001.
2006-002	Finding for Recovery – Payroll Overpayment	Yes	Fully corrected.

FCI ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 11, 2008