FCI ACADEMY
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

FCI ACADEMY
FRANKLIN COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board of Directors:

We have audited the accompanying financial statements of the FCI Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2005, 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 our audit provides a reasonable basis for our opinion.

The Academy has no procedures in place for tracking and accounting for capital assets. Due to the lack of supporting documentation we were unable to satisfy ourselves concerning the Academy's reported capital assets.

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, 2005, 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 April 6, 2006, 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. As a result of performing those limited procedures, we are unable to determine whether Management's Discussion and Analysis conforms to Governmental Accounting Standards Board guidelines since, as discussed in paragraph three, the Academy has no procedures for tracking and accounting for capital assets.

Betty Montgomery

Betty Montgomery
Auditor of State

April 6, 2006

FCI ACADEMY
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of FCI Academy, Inc. (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2005, the initial period of operation. 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 $126,033.
- Total Liabilities were $229,056.
- Total Net Assets were $(103,023).

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 2005?" 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, 2005. As this is the initial period of operation, no comparison is made to prior year information:

(Table 1)
Net Assets

Assets	
Current Assets	$ 40,617
Capital Assets, Net	85,416
Total Assets	$ 126,033
Liabilities	
Current Liabilities	$ 163,466
Noncurrent Liabilities	65,590
Total Liabilities	229,056
Net Assets	
Invested in Capital Assets, Net of Related Debt	41,663
Unrestricted	(144,686)
Total Net Assets	$ (103,023)

Table 2 reflects the change in net assets for fiscal year 2005. Again, as this is the initial period of operation, no comparison is made to prior year information.

Table 2
Change in Net Assets

Operating Revenue	
Foundation Payments	$ 354,766
Disadvantaged Pupil Impact Aid	6,778
Special Education	14,482
Food Services	2,980
Other	22,681
Total Operating Revenues	401,687
Operating Expenses	
Salaries	284,818
Fringe Benefits	71,686
Purchased Services	113,586
Materials and Supplies	51,935
Cost of Sales	12,226
Depreciation Expense	10,475
Other	4,980
Total Operating Expenses	549,706
Non-Operating Revenues and (Expenses)	
Operating Grants	48,791
Federal Donated Commodities	1,789
Contributions and Donations	350
Interest Income	9
Interest and Fiscal Charges	(5,943)
Total Non-Operating Revenues/(Expenses)	44,996
Increase/(Decrease) in Net Assets	$ (103,023)

State Foundation Payments, Disadvantaged Pupil Impact Aid, and Special Education, as a whole, are the primary support for the Academy, representing 93.6 percent of the operating revenue. Salaries and Fringe Benefits comprise 64.9 percent of operating expenses.

The Academy had total revenues of $452,626, and total expenses of $555,649. The change in net assets for the year was a decrease of $103,023. This decrease shows the Academy is not meeting its obligations without outside financing. An increase in student enrollment should alleviate the deficit.

Capital Assets

At the end of fiscal year June 30, 2005, the Academy had $85,416 (net of $10,475 in accumulated depreciation) invested in capital assets. Table 3 shows balances at June 30, 2005:

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

Computers	$	5,190
Furniture, Fixtures, and Equipment		51,486
Leasehold Improvments		28,740
Totals	$	85,416

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

Debt:

At June 30, 2005 the Academy had $170,913 in a Note Payable, $105,323 of which is due within one year. Table 4 summarizes the debt outstanding.

Table 4
Outstanding Debt, Fiscal Yearend

	2005
Miracit Development Corporation Note 5.25%, Issued 12/30/04, Matures 1/15/07	$ 170,913
Total Debt	$ 170,913

For more information on debt, see note 5.

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, 2005, there were approximately 64 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for this fiscal year amounted to $5,058 per student.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's 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
Statement of Net Assets
As of June 30, 2005

Assets:		
Current Assets:		
Cash and Cash Equivalents	$	9,264
Intergovernmental Receivables		29,234
Prepaid Items		2,119
Total Current Assets		40,617
Noncurrent Assets:		
Capital Assets, Net		85,416
Total Noncurrent Assets		85,416
Total Assets	$	126,033
Liabilities:		
Current Liabilities:		
Accounts Payable	$	8,579
Accrued Wages and Benefits Payable		27,386
Intergovernmental Payable		22,178
Note Payable		105,323
Total Current Liabilities		163,466
Noncurrent Liabilities:		
Note Payable		65,590
Total Noncurrent Liabilities		65,590
Total Liabilities		229,056
Net Assets:		
Invested in Capital Assets, Net of Related Debt		41,663
Unrestricted		(144,686)
Total Net Assets	$	(103,023)

See Accompanying Notes to the Basic Financial Statements

FCI ACADEMY
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005

<u>Operating Revenues:</u>		
Foundation Payments	$	354,766
Disadvantaged Pupil Impact Aid		6,778
Special Education		14,482
Food Service		2,980
Other Operating Revenue		22,681
Total Operating Revenues		401,687
<u>Operating Expenses:</u>		
Salaries		284,818
Fringe Benefits		71,686
Purchased Services		113,586
Materials and Supplies		51,935
Cost of Sales		12,226
Depreciation		10,475
Other Operating Expenses		4,980
Total Operating Expenses		549,706
Operating Loss		(148,019)
<u>Non-Operating Revenues and Expenses:</u>		
Operating Grants		48,791
Federal Donated Commodities		1,789
Contributions and Donations		350
Interest Income		9
Interest and Fiscal Expense		(5,943)
Total Non-Operating Revenues/(Expenses)		44,996
Change in Net Assets		(103,023)
Net Assets at Beginning of Year		-
Net Assets at End of Year	$	(103,023)

See Accompanying Notes to the Basic Financial Statements

FCI ACADEMY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Cash Received from Foundation	$354,766
Cash Received from Disadvantaged Pupil Impact Aid	6,778
Cash Received from Special Education	14,482
Cash Received from Food Service	2,980
Cash Received from Other Revenues	22,681
Cash Payments for Salaries	(257,432)
Cash Payments for Fringe Benefits	(50,320)
Cash Payments for Goods and Services	(168,686)
Cash Payments for Other Expenses	(4,980)
Net Cash Used for Operating Activities	(79,731)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	19,557
Cash Received from Operating Contributions	350
Net Cash Provided by Noncapital Financing Activities	19,907
Cash Flows from Capital and Related Financing Activities	
Cash Payments for Capital Assets	(95,891)
Cash Received from Note Proceeds	307,670
Cash Payments for Note Principal	(136,757)
Cash Payments for Note Interest	(5,943)
Net Cash Used for Capital and Related Financing Activities	69,079
Cash Flows from Investing Activities:	
Cash Received from Interest	9
Net Increase in Cash and Cash Equivalents	9,264
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	$9,264

FCI ACADEMY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005
(Continued)

Reconciliation of Operating Loss	
to Net Cash Used for Operating Activities:	
Operating Loss	($148,019)
Adjustments to Reconcile Operating Loss	
to Net Cash Used for Operating Activities:	
Depreciation	10,475
Donated Commodities Received During Year	1,789
Changes in Assets and Liabilities:	
Increase in Prepaid Items	(2,119)
Increase in Accounts Payable	8,579
Increase in Accrued Wages and Benefits Payable	27,386
Increase in Intergovernmental Payable	22,178
Net Cash Used for Operating Activities	($79,731)

Non-Cash Transactions
During fiscal year 2005, the Academy received donated commodities, in the amount of $1,789.

See Accompanying Notes to the Basic Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2005

1. DESCRIPTION OF THE REPORTING ENTITY

FCI Academy, Inc. (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. This is the initial period of operations for the Academy. The Academy was incorporated on March 3, 2002 with classes beginning on September 27, 2004.

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 12).

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 one instructional/support facility staffed by 10 non-certificated and 4 certificated full time teaching personnel who provide services to 64 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 Financial Accounting Standards Board (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 statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the 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, is 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 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. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

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 Program, Disadvantaged Pupil Impact Aid, 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 does not maintain a capitalization policy and 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
Computers	5
Furniture, Fixtures and 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 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 which both restricted and unrestricted net assets are available. The Academy did not have any restricted net assets 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 June 30, 2005, the carrying amount of the Academy's deposits was $9,264 and the bank balance was $32,433. The entire bank balance was covered by federal depository insurance.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 07/1/2004	Additions	Deductions	Balance 06/30/2005
Capital Assets:				
Computers	$ 5,876	$ -	$ -	$ 5,876
Furniture, Fixtures and Equipment	33,589	21,679		55,268
Leasehold Improvements	31,255	3,492	-	34,747
Totals Capital Assets	70,720	25,171	-	95,891
Less Accumulated Depreciation:				
Computers	-	(686)		(686)
Furniture, Fixtures and Equipment	-	(3,782)		(3,782)
Leasehold Improvements	-	(6,007)	-	(6,007)
Total Accumulated Depreciation	-	(10,475)	-	(10,475)
Capital Assets, Net	$ 70,720	$ 14,696	$ -	$ 85,416

5. NONCURRENT DEBT

Noncurrent debt activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 07/1/2004	Issued	Redeemed	Balance 06/30/2005	Due Within One Year
Notes Payable:					
Miracit Development Corporation 5.25% Issued 12/30/04 Matures 1/15/07	$ 70,270	$ 185,485	$ 84,842	$ 170,913	$ 105,323
Living Faith Apostolic Church 0.00% Issued 12/30/04 Matured 1/31/05	-	51,915	51,915	-	
Totals	$ 70,270	$ 237,400	$ 136,757	$ 170,913	$ 105,323

The annual requirements to amortize all note debt outstanding as of June 30, 2005, including total interest payments of $8,051 are as follows:

Year Ending June 30:	Notes Payable
2006	$ 112,359
2007	66,605
	178,964
Less: Interest Expense	8,051
Total Principal	$ 170,913

6. OPERATING LEASES

The Academy has operating leases for a copier and certain computer equipment. Total operating lease payments were $10,014 for the fiscal year.

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

Fiscal Year Ending June 30,	
2006	$ 12,064
2007	12,064
2008	2,536
Total	$ 26,664

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, 2005, 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

Settled claims have not exceeded this commercial coverage for fiscal year 2005.

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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

For the Fiscal Year June 30, 2005, 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, 2005 was 14 percent of annual covered payroll; 10.57 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 year ending June 30, 2005 was $16,753; 88.3 percent has been contributed for Fiscal Year June 30, 2005. $1,952 representing the unpaid contribution for fiscal year ended 2005 is recorded as an intergovernmental payable.

B. State Teachers Retirement Systems

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.

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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (Continued)

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.

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.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (Continued)

For the Fiscal Year June 30, 2005, 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 Year June 30, 2005 was $16,423; 98.1 percent has been contributed for Fiscal Year June 30, 2005. $315 represents the unpaid contribution for fiscal year 2005. The balance outstanding is reflected as an intergovernmental payable.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2005 Comprehensive Annual Financial Report will be available after January 1, 2006. Additional information or copies of STRS Ohio's 2005 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, 2004, 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, 2005, the healthcare allocation is 3.43 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 2005, the minimum pay was established at $27,400. 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. Gross expenses for health care at June 30, 2005 (the latest information available), were $178,221,113. At June 30, 2005, the Retirement System's value of the health care fund was $267.5 million. The number of recipients currently receiving health care benefits is approximately 58,123.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 3.43 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 $20,656 for the Fiscal Year June 30, 2005.

9. POSTEMPLOYMENT BENEFITS (Continued)

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. 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.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $1,033 for the Fiscal Year June 30, 2005.

For the fiscal year ended June 30, 2005 (the latest information available) net health care costs paid by STRS Ohio were $254,780,000. There were 115,395 eligible benefit recipients.

10. 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 effect on the overall financial position of the Academy at June 30, 2005.

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 2005 review revealed no material adjustment to the Academy's school funding.

10. CONTINGENCIES (Continued)

C. Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001 alleging 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 was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

11. 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 $5,099 were paid during the year, and $1,642 was accrued as a liability at June 30, 2005.

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.

12. RELATED PARTY TRANSACTIONS

The Academy operates within the Living Faith Apostolic Church (LFAC). Certain LFAC personnel serve as management of the Academy. 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 2005, the Academy reimbursed LFAC $27,698 for the Academy's portion of costs related to utilities and insurance.

12. RELATED PARTY TRANSACTIONS (Continued)

LFAC and Miracit Development Corp. made purchases on behalf of and advanced cash to the Academy for start-up purposes. Total amounts of such transactions were $255,755 and $51,915 by Miracit Development Corp. and LFAC, respectively. The Academy entered into notes payable with these parties to repay such amounts. (See note 5). At June 30, 2005, $170,913 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 $1,880 of sponsorship fees were paid by the Academy to LCESC during fiscal year 2005.

13. PURCHASED SERVICES

For the Fiscal Year June 30, 2005, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Service	$	58,780
Property Services		39,513
Travel		623
Communications		14,454
Pupil Transportation		216
Total Purchased Services	$	113,586

\

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2005, and have issued our report thereon dated April 6, 2006, wherein we noted the Academy has no system in place for tracking and accounting for capital assets. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Academy's management dated April 6, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 through 2005-004.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

April 6, 2006

SCHEDULE OF FINDINGS
JUNE 30, 2005

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

Finding Number	**2005-001**

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.

Management's Response
A tracking procedure for capital assets has been developed and is currently under review for approval by the Board of Trustees. While proper documentation of all of the items purchased by MiraCit Development Corporation and Living Faith Apostolic Church on behalf of FCI Academy, was forwarded to the school's fiscal agent for recording, because the capital asset procedures were not in place to establish tracking and depreciation thresholds, the state auditor was unable to confirm the value of such assets. With the approval of such procedures, along with the provision of a catalog of all capital assets, the appropriate values will be reflected in the subsequent years' financial statements.

Finding Number	**2005-002**

Finding for Recovery Repaid Under Audit
Payroll Overpayment
The Academy hired Clifton Gregory as a teacher for fiscal year 2005 with a contract amount of $25,000. According to Mr. Gregory's personnel file, his pay was to be reduced for disciplinary reasons by one week of pay, equal to a reduction in pay of $480.77. Accordingly, the amount paid to Mr. Gregory on 10/1/04 reflected one week without pay.

Beginning for pay date January 14, 2005, however, the Business Manager recalculated payroll for Mr. Gregory by taking his total annual contract amount of $25,000 and subtracting amounts already paid in the fiscal year to him, and allocating that remaining amount over the remaining pay periods. In doing that calculation, the Business Manager did not take into consideration that he was assigned one week without pay. As a result, Mr. Gregory was overpaid for each of the pay periods from January 12, 2005 through August 30, 2005, resulting in a total overpayment to Mr. Gregory of $480.77.

This overpayment occurred as a result of the calculation performed by Sharon Francis, FCI Academy Business Manager. Payroll checks, from January 14, 2005 through August 30, 2005, were issued by Richard Cox, the Academy's Treasurer.

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

Finding Number	2005-002 (Continued)

Finding for Recovery Repaid Under Audit
Payroll Overpayment (Continued)
Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended would have been issued jointly and severally against Clifton Gregory; Sharon Francis, the Academy's Business Manager; Richard Cox, the Academy's Treasurer; and Travelers Casualty and Surety Company of America, Richard Cox's bonding company, in the amount of four hundred eighty dollars and seventy-seven cents ($480.77) and in favor of the FCI Academy general fund.

On April 21, 2006, $480.77 was repaid to the Academy.

Management's Response
The miscalculation of salary owed to Mr. Clifton Gregory occurred during the transition of the payroll processing duties from the school's business manager to the Lucas County Educational Services, resulting in the overpayment of $480.77. Upon notification of the discrepancy, the funds were repaid to the school. Since January 1, 2005, all payroll processing is now carried out under the auspices of LCESC, which utilizes the USAS system, thereby ensuring the appropriate tracking and calculations of payments due and payable to employees.

Finding Number	2005-003

Finding for Recovery Repaid Under Audit
Payroll
Fiscal year 2005 salaries paid to Academy employees, in pay periods beginning 9/17/04 and ending 8/30/05, exceeded amounts approved by the Board of Directors. For the first eight pay periods, each employee was properly paid 1/26th of their annual contract amount. However, beginning for pay date January 14, 2005, the Business Manager recalculated payroll for each employee by taking their total annual contract amount and subtracting amounts already paid in the fiscal year to employees, and allocating that remaining amount over the remaining pay periods. In doing that calculation, the Business Manager excluded the first payroll on 9/17/04 from having already been paid.

Although the employees were paid on 9/17/04 based on their fiscal year 2005 Board-approved contracts, the Business Manager did not consider that payroll to be part of the employees' fiscal year 2005 contracts since the Academy's sponsorship agreement had not yet taken effect at that time. However, there was no Board approval for employees to be paid any amounts in addition to their fiscal year 2005 contract amount.

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

Finding Number	2005-003 (Continued)

Finding for Recovery Repaid Under Audit
Payroll (Continued)
As a result of excluding the 9/17/04 payroll from amounts already paid, the amount calculated as the total remaining contract to be paid over the remaining pay periods for each employee was overstated, causing gross pay for each remaining individual pay period to be overstated. Total salary paid to employees in excess of their Board approved salaries was as follows:

Employee	Position	Amount Overpaid
Clifton Gregory	Teacher	$ 961.54
John Holley	Teacher	1,153.85
Brian Johnson	Teacher	1,454.55
Jessica Kuthy	Teacher	1,230.77
Margaret Lacey	EMIS Coordinator	1,153.85
Garey Lewis	Administrator	2,500.00
Toya Mathis	Administrative Assistant	1,230.77
		$ 9,685.33

These overpayments occurred as a result of calculations performed by Sharon Francis, FCI Academy Business Manager. Payroll checks during the period from January 14, 2005, through August 30, 2005, were issued by Richard Cox, the Academy's Treasurer.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended would have been issued against each of the above-named employees in their respective amount and in favor of the FCI Academy general fund. In addition, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended would have been issued jointly and severally against Sharon Francis, Business Manager; Richard Cox, Treasurer; and Travelers Casualty and Surety Company of America, Richard Cox's bonding company, for all of the above-listed amounts.

On April 20, 2006, the Board of Directors retroactively approved the additional amounts paid.

Management's Response
Fiscal year 2005 salaries paid to Academy employees during pay periods beginning 8/28/04 and ending 8/30/05, exceeded the amounts originally set forth in their Board-approved annual contracts. Due to the delay in the execution of the sponsorship agreement, employees were required to work an additional 10 days beyond the 186 days provided under their contract. As a result, the school's incorporators approved payment of the employees for the additional days worked, for which they were paid on September 17, 2004. The action, however, was not reflected in the board minutes neither was ratified by the Board of Directors as of the commencement of the audit engagement.

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

Finding Number	2005-003 (Continued)

Finding for Recovery Repaid Under Audit
Payroll (Continued)
Management's Response (Continued)
The first pay period for which employees were paid according to their annual contract was October 1, 2004. For the next seven pay periods, each employee was properly paid 1/26th of their annual contract amount. Beginning pay date January 14, 2005, the Business Manager recalculated payroll for each employee by taking their total annual contract amount and subtracting amounts already paid in the fiscal year to employees, and allocating that remaining amount over the remaining pay periods. In doing that calculation, the Business Manager excluded the first payroll on 9/17/04 from having already been paid.

With the inclusion of the 9/17/04 payroll, the total salary paid to employees exceeded their Board approved contract salaries. Upon review of the board minutes and meeting notes, the Board of Directors retroactively approved the additional amounts paid on April 20, 2006.

Finding Number	2005-004

Finding for Recovery Repaid Under Audit
Duplicate Payments
The Academy is operated within the Living Faith Apostolic Church (the Church) and, thus, reimburses the Church for a portion of certain expenses incurred by the Academy. An analysis of floor space performed by the Academy revealed the Academy uses 36% of the floor space of the Church. Accordingly, the Academy reimburses the church for 36% of utilities, including electricity, gas, water, sewer, and storm water services. The Academy also reimburses the Church for computer lease payments pursuant to a lease agreement entered into by the Church on-behalf of the Academy. Portions of internet access fees and employee insurance costs are also reimbursed to the Church by the Academy based on the estimated portion of such costs incurred by the Academy.

During fiscal year 2005, the following amounts were included twice in the reimbursements made by the Academy to the Church:

			Reimbursements			
			First		Second	
Invoice Due Date	Vendor	Amount Reimbursed	Date	Check	Date	Check
1/12/2005	American Electric Power	$672.79	2/10/2005	5025	4/12/2005	5066
1/12/2005	American Electric Power	50.38	2/10/2005	5025	4/12/2005	5066
1/12/2005	American Electric Power	10.23	2/10/2005	5025	4/12/2005	5066
2/14/2005	American Electric Power	651.24	2/10/2005	5025	4/12/2005	5066
2/14/2005	American Electric Power	9.74	2/10/2005	5025	4/12/2005	5066
2/14/2005	American Electric Power	47.92	2/10/2005	5025	4/12/2005	5066
1/10/2005	Columbia Gas	339.39	2/10/2005	5025	4/12/2005	5066
2/8/2005	Columbia Gas	1,334.73	2/10/2005	5025	4/12/2005	5066
6/13/2005	American Electric Power	657.06	6/13/2005	5119	7/19/2005	5144
6/1/2005	Principal Financial Group	110.72	6/13/2005	5119	7/19/2005	5144
		$3,884.20				

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

Finding Number	2005-004 (Continued)

Finding for Recovery Repaid Under Audit
Duplicate Payments (Continued)
In addition to the duplicate reimbursements made above, the Academy also reimbursed the Church for an invoice related to telephone maintenance contract services; however, the Academy reimbursed the Church for the entire $1,665 billed amount rather than just the Academy's 36% share. As a result, the Church was over-reimbursed by an additional $1,065.60.

In total, the Academy over-paid the Church by four thousand nine hundred forty-nine dollars and eighty cents ($4,949.80).

These reimbursement payments were calculated and requested for payment by the Academy's Business Manager. Purchase orders for each of the overpayments identified above were approved by Dr. Edgar Posey, the Academy's Executive Director, with the exception of check 5144 for which the purchase order had no approval. Each of the above payments was issued by Richard Cox, the Academy's Treasurer.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended would have been issued against Dr. Edgar Posey, Executive Director, for four thousand one hundred eighty-two dollars and two cents ($4,182.02), equal to the amount of overpayments he authorized. In addition, in accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended would have been issued jointly and severally against the Living Faith Apostolic Church; Sharon Francis, the Academy's Business Manager; Richard Cox, the Academy's Treasurer; and Travelers Casualty and Surety Company of America, Richard Cox's bonding company, in the amount of four thousand nine hundred forty-nine dollars and eighty cents ($4,949.80), the full amount of the overpayments, and in favor of the FCI Academy.

On April 20, 2006, the Living Faith Apostolic Church repaid $4,949.80 to the Academy.

Management's Response
During its initial year of operation, FCI Academy paid to Living Faith Apostolic Church reimbursements for its share of costs related to facilities operations. Reimbursements were made as individual invoices and/or bills were submitted for payment. Duplicate invoices were submitted for reimbursement due to staff oversight, as well as the miscalculation of the school's portion of one invoice. The overpayments made to Living Faith Apostolic Church were promptly refunded to the school upon discovery. For the subsequent fiscal years, a policy has been implemented which annualizes the estimates of cost share to be paid to the church in monthly installments. This policy should alleviate any duplicate payments or miscalculations of reimbursements due.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MAY 23, 2006