



**Mary Taylor, CPA**  
Auditor of State





# Dave Yost • Auditor of State

March 29, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

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DAVE YOST  
Auditor of State

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**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, 2009, 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.

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.

In our opinion, 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, 2009, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the Academy has suffered recurring losses from operations and has a net asset deficiency. Note 17 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Government's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 25, 2010



**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2009  
UNAUDITED**

The discussion and analysis of FCI Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2009. 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 \$83,575
- Total Liabilities were \$542,753
- Change in Net Assets was (\$47,902)

**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 a statement of cash flows.

**Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during fiscal year 2009?" 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.

**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2009  
UNAUDITED  
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal years 2009 and 2008.

Table 1 Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 8,717	\$ 53,616	\$ (44,899)
Capital Assets, Net	<u>74,858</u>	<u>107,578</u>	<u>(32,720)</u>
 Total Assets	 <u>83,575</u>	 <u>161,194</u>	 <u>(77,619)</u>
 <b>Liabilities</b>			
Current liabilities	<u>542,753</u>	<u>572,470</u>	<u>29,717</u>
 Total Liabilities	 <u>542,753</u>	 <u>572,470</u>	 <u>29,717</u>
 <b>Net Assets</b>			
Invested in Capital Assets	74,858	107,578	(32,720)
Unrestricted (Deficit)	<u>(534,036)</u>	<u>(518,854)</u>	<u>(15,182)</u>
Total Net Assets (Deficit)	\$ <u><u>(459,178)</u></u>	\$ <u><u>(411,276)</u></u>	\$ <u><u>(47,902)</u></u>

Total assets decreased \$77,619 as a result of a decrease in cash balances of \$44,899 and depreciation on capital assets. Although there was an increase in notes outstanding at June 30, 2009 compared to the prior fiscal year, this was offset by a decrease in accrued benefits payable due to a change in employee contract dates implemented in fiscal year 2009. Therefore, current liabilities decreased \$29,717.

**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2009  
UNAUDITED  
(Continued)**

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 2008.

Table 2  
Change in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Operating Revenues			
State Foundation	\$ 3,548,423	\$ 3,747,559	\$ (199,136)
Poverty Based Assistance	104,152	138,318	(34,166)
Other Operating	<u>58,639</u>	<u>0</u>	<u>58,639</u>
Total Operating Revenues	<u>3,711,214</u>	<u>3,885,877</u>	<u>(174,663)</u>
Non-Operating Revenues			
Federal and State Grants	765,215	709,525	55,690
Contributions & Donations and Other	<u>0</u>	<u>49,396</u>	<u>(49,396)</u>
Total Non-Operating Revenues	<u>765,215</u>	<u>758,921</u>	<u>6,294</u>
Total Revenues	<u>4,476,429</u>	<u>4,644,798</u>	<u>(168,369)</u>
Operating Expenses			
Salaries	2,433,282	2,628,230	(194,948)
Fringe Benefits	609,769	781,894	(172,125)
Purchased Services	530,810	524,635	6,175
Rent	662,772	600,492	62,280
Materials & Supplies	249,640	371,206	(121,566)
Depreciation	<u>38,058</u>	<u>35,819</u>	<u>2,239</u>
Total Expenses	<u>4,524,331</u>	<u>4,942,276</u>	<u>(417,945)</u>
Change in Net Assets	(47,902)	(297,478)	249,576
Net Assets (Deficit) at Beginning of Year	<u>(411,276)</u>	<u>(113,798)</u>	<u>(297,478)</u>
Net Assets (Deficit) at End of Year	\$ <u>(459,178)</u>	\$ <u>(411,276)</u>	\$ <u>(47,902)</u>

Total foundation revenue was down by \$199,136 due to a 11% decline in enrollment to 522 students. The Academy's management compensated for the revenue decline by reducing total expenses by \$417,945 for the year. The Academy's change in net assets was reduced from (\$297,478) to (\$47,902).

**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2009  
UNAUDITED  
(Continued)**

**Debt**

At June 30, 2009 the Academy had \$203,000 in notes payable, all of which is due within one year. These notes were entered into to cover operating costs of the Academy.

**Capital Assets**

At the end of fiscal year June 30, 2009, the Academy had \$74,858 (net of \$122,230 in accumulated depreciation) shown as capital assets. The Academy utilizes the capitalization policy approved by the Board of Directors. This policy essentially limits capitalization to those assets whose individual cost is greater than or equal to \$1,500.

For more information on capital assets, see note 5 to the basic financial statements.

**Current Financial Issues**

During the fiscal year ended June 30, 2009, there were approximately 522 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil funding for this fiscal year amounted to \$5,732 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 Nick Dill, Business Manager, 2177 Mock Road, Columbus, Ohio or email at [ndill@miracit.org](mailto:ndill@miracit.org).

**FCI ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

**Assets**

Current Assets:

Cash and Cash Equivalents \$ 8,717

Total Current Assets 8,717

Non-Current Assets

Depreciable Capital Assets, Net 74,858

Total Noncurrent Assets 74,858

Total Assets 83,575

**Liabilities**

Current liabilities:

Accounts Payable 16,480

Accrued Wages Payable 264,269

Related Party Notes Payable 203,000

Intergovernmental Payable 59,004

Total Current Liabilities 542,753

Total Liabilities 542,753

**Net Assets**

Invested in Capital Assets 74,858

Unrestricted (534,036)

Total Net Assets \$ (459,178)

See the accompanying notes to the financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Operating Revenues:</b>	
State Foundation	\$ 3,548,423
Poverty Based Assistance	104,152
Other	<u>58,639</u>
<i>Total Operating Revenues</i>	3,711,214
<b>Operating Expenses:</b>	
Salaries	2,433,282
Fringe Benefits	609,769
Purchased Services	530,810
Rent	662,772
Materials & Supplies	249,640
Depreciation	<u>38,058</u>
<i>Total Operating Expenses</i>	4,524,331
<i>Operating Loss</i>	(813,117)
<b>Non-Operating Revenues:</b>	
Federal and State Grants	<u>765,215</u>
<i>Change in Net Assets</i>	(47,902)
<i>Beginning Net Assets (Deficit)</i>	<u>(411,276)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>\$ (459,178)</u></u>

See the accompanying notes to the financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Cash Flows from Operating Activities

Cash Received from the State of Ohio	\$ 3,652,575
Cash Received from Food Service	8,645
Cash Received from Other Operating Sources	49,994
Cash Payments to Suppliers for Goods and Services	(1,475,868)
Cash Payments to Employees for Services	(2,497,740)
Cash Payments for Employee Benefits	(680,444)
	(942,838)
Net Cash Used for Operating Activities	(942,838)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants-Federal	748,069
Cash Received from Operating Grants-State	17,146
Cash Proceeds from Notes	459,000
Cash Payments for Principal	(320,938)
	903,277
Net Cash Provided by Noncapital Financing Activities	903,277

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	(5,338)
	(5,338)
Net (Decrease) in Cash and Cash Equivalents	(44,899)
Cash and Cash Equivalents at Beginning of Year	53,616
	8,717
Cash and Cash Equivalents at End of Year	8,717

Reconciliation of Operating Loss to  
Net Cash Used for Operating Activities:

Operating Loss	(813,117)
Adjustments to Reconcile Operating Loss to Net Cash Ued for Operating Activities:	
Depreciation	38,058
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(32,646)
Decrease in Accrued Wages Payable	(64,458)
Decrease in Intergovernmental Payable	(70,675)
Total Adjustments	(129,721)
Net Cash Used for Operating Activities	\$ (942,838)

See the accompanying notes to the financial statements.

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**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009**

**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 preparations 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. On June 9, 2007, the Board and the Sponsor approved an extension of this contract through May 30, 2010. 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 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 four instructional/support facilities staffed by 38 non-certificated and 41 certificated full time teaching personnel who provide services to 522 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 a governmental nonprofit organization. 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 fund reporting 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 Revenues, Expenses, and Changes in Net Assets presents increases and decreases in net total assets. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**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 Treasurer. All cash received by the Academy 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.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**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 operation 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 expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**G. 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 and 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:

Leasehold improvements	5-15 years
Equipment	5 years

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Invested in Capital Assets consists of capital assets, net of accumulated depreciation.

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 restricted net assets at fiscal year end.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**I. 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 goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**J. 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.

**K. Economic Dependency**

The Academy receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**3. Changes in Accounting Principles**

For fiscal year 2009, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**3. Changes in Accounting Principles (Continued)**

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

**4. Deposits**

At fiscal year end June 30, 2009, the carrying amount of the Academy's deposits was \$8,717 and the bank balance was \$140,985. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2009, \$100,000 was covered by the Federal Depository Insurance Corporation and \$40,985 was protected by a collateral pool of eligible securities deposited with a qualified trustee.

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 has 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.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**5. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<b>Balance 06/30/08</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/09</b>
Capital Assets:				
Equipment	\$ 144,063	\$ 5,338	\$ -	\$ 149,401
Leasehold Improvements	47,687	-	-	47,687
Total Capital Assets	191,750	5,338	-	197,088
Less Accumulated Depreciation:				
Equipment	(59,786)	(28,986)	-	(88,772)
Leasehold Improvements	(24,386)	(9,072)	-	(33,458)
Total Accumulated Depreciation	(84,172)	(38,058)	-	(122,230)
Capital Assets, Net	<u>\$ 107,578</u>	<u>\$ (32,720)</u>	<u>\$ -</u>	<u>\$ 74,858</u>

**6. Operating Leases**

The Academy has an operating lease for the period of 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 \$32,626 as a pro rate share of the annual operating costs and overhead of the building based on amendments to the original lease agreement. Payments in the amount of \$397,097 were made during fiscal year 2009. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

The Academy has an operating lease for the period of November 1, 2005 through June 30, 2010 with MiraCit Development Corporation to lease school facilities. The base rental of the leases is zero dollars. However, monthly payments are required of \$17,846 as a pro rate share of the annual operating costs and overhead of the building. Payments in the amount of \$214,154 were made during fiscal year 2009.

Minimum lease payments totaling \$214,154 will be made to Miracit Corporation in fiscal year 2010.

**7. Debt**

The Academy has two notes outstanding at June 30, 2009 totaling \$203,000, all of which is due within one year. These notes were entered into to cover operating costs of the Academy.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**7. Debt (Continued)**

Debt Activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 06/30/08	Issued	Redeemed	Balance 06/30/09	Due Within One Year
Related Party Notes Payable:					
Miracit Development Corporation 7.00% Issued 6/01/07 Maturity 8/01/08	\$24,938	15,000	\$39,938	\$0	\$0
Miracit Development Corporation 0.00% Issued 2/27/2008 Maturity 8/30/2008	40,000	30,000	70,000	0	0
Living Faith Apostolic Church 0.00% Issued 8/27/2008 Maturity 9/15/2008	0	25,000	25,000	0	0
Living Faith Apostolic Church 0.00% Issued 9/29/2008 Maturity 10/15/2008	0	42,000	42,000	0	0
FCI, Too! Early Learning Academy 0.00% Issued 9/29/2008 Maturing 10/15/2008	0	20,000	20,000	0	0
Miracit Development Corporation 0.00% Issued 10/27/2008 Maturing 11/15/2008	0	54,000	54,000	0	0
Miracit Development Corporation 0.00% Issued 12/26/2008 Maturing 12/31/2008	0	30,000	30,000	0	0
Miracit Development Corporation 0.00% Issued 4/28/2009 Maturing 5/30/2009	0	15,000	15,000	0	0

(Cont.)

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**7. Debt (Continued)**

	Balance 06/30/08	Issued	Redeemed	Balance 06/30/09	Due Within One Year
FCI, Too! Early Learning Academy 0.00% Issued 8/27/2008 Maturing 9/15/2008	0	25,000	25,000	0	0
Miracit Development Corporation 0.00% Issued 6/23/2009 Maturity 5/30/2010	0	125,000	0	125,000	125,000
Miracit Development Corporation 0.00% Issued 6/25/2009 Maturity 12/25/2009	0	78,000	0	78,000	78,000
	<u>\$64,938</u>	<u>\$459,000</u>	<u>\$320,938</u>	<u>\$203,000</u>	<u>\$203,000</u>

**8. 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, 2009 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 coverage in any of the past three years.

**B. Workers' Compensation**

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



**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**9. Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$188,504, \$228,141, and \$147,905 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

**B. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$126,713, \$126,183, and \$90,866 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**10. Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The Academy contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$13,465, \$16,296 and \$10,565 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**10. Postemployment Benefits (Continued)**

**B. School Employees Retirement System**

Plan Description – The Academy contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the minimum compensation level was established at \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Academy's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$37,652, \$37,494, and \$27,000 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The Academy's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$6,788, \$6,760, and \$4,868 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**11. Fiscal Agent**

The Academy entered into a contract with Carl W. Shye Jr. to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate Mr. Shye \$54,000 per year.

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

- Work with the Board Treasurer and/or the Business Manager;
- Receipt all Academy funds and make investments;
- Disburse Academy funds upon receipt of a written order and appropriate invoice documentation of designated school official(s);
- Prepare payrolls, maintenance of earnings records and deductions records;
- Prepare state and federal reports and issue w-2's and 1099's as well as prepare Federal Form 990 and other similar IRS filings;
- Record all financial transactions in accordance with state statutes and as prescribed by the Auditor of State;
- Prepare and submit on a cash basis a monthly financial accounting of all school funds;
- Provide on-line access to the accounting records, for up to 4 designated officials;
- Prepare the annual financial statements for submission to the Auditor of State and prepare the annual GAAP conversion;
- Provide reports on services for the Academy administrators to present to the Board and assist the Board Treasurer and/or Business Manager in preparing other financial statements;
- Prepare bi-monthly reports as required by ODE and/or the Academy's sponsor;
- Assist in the preparation of the five-year forecast and ensure the report is submitted in a format approved by ODE;
- Assist the administrators in completing the CCIP budget.

**12. Purchased Services**

For the fiscal year June 30, 2009, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	\$ 505,542		
Communications	8,846		
Pupil Transportation	16,422		
<b>Total Purchased Services</b>	<b>\$ 530,810</b>		

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**13. 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 be carried 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% of the unused personal/sick leave balance and is paid 30% of the unused accumulated personal/sick leave based upon the current rate of pay subject to all applicable payroll deductions. At fiscal year end, the Academy had no compensated absences payable.

**14. 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 agreement and are subject to an audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2009.

**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 2009 review revealed no material adjustment to the Academy's school funding.

**15. Related Party Transactions**

The Academy operated 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. Additionally, FCI, Too! Early Learning Academy is a non-profit daycare center established by MiraCit Development Corporation.

During fiscal year 2009, the Academy reimbursed LFAC \$16,146 for the Academy's portion of operating costs, made \$397,097 in operating lease payments to LFAC as disclosed in Note 6, and made \$67,000 in note repayments to LFAC as disclosed in Note 7.

During fiscal year 2009, the Academy reimbursed MiraCit Development Corporation \$48,545 for the Academy's portion of operating costs, made \$214,154 in operating lease payments to MiraCit Development Corporation as disclosed in Note 6, and made \$208,938 in note repayments to MiraCit Development Corporation as disclosed in Note 7. At June 30, 2009, \$203,000 was unpaid and reflected as notes payable in the accompanying financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2009  
(Continued)**

**15. Related Party Transactions (Continued)**

During fiscal year 2009, the Academy made \$45,000 in note repayments to FCI, Too! Early Learning Academy.

The Academy entered into a five year sponsorship agreement with the Lucas County Educational Service Center (LCESC) on September 20, 2004, that was extended on June 9, 2007 through May 30, 2010, whereby terms of the sponsorship was established. That agreement requires the Academy to pay the sponsor ½% of the per pupil allotment paid to the Academy by the State of Ohio. A total of \$60,645 of sponsorship fees was paid by the Academy to LCESC during fiscal year 2009.

**16. Subsequent Events**

On September 28, 2009, the Academy entered into two promissory notes with MiraCit Development Corporation which totaled \$54,000 to cover certain Academy operating expenses. The first note in the amount of \$34,000 carried a 5% interest rate and was due in full on October 28, 2009. This note was repaid on October 5, 2009. The second note in the amount of \$20,000 carried a 0% interest rate and was due in full on October 28, 2009. This note was also repaid on October 5, 2009.

**17. Management Plan**

The Academy's recent cash flow challenges have been due primarily to untimely and inconsistent levels of monthly foundation payments, as well as unexpected adjustments in levels of federal funding because of changes in how eligibility is defined and changes in funding restrictions.

As a result, management, under the direction of the Board, has implemented the following plan to ensure the Academy's long-term financial viability:

- Staffing restructure/reduction;
- Changing from reimbursing employer status to contributory status to better regulate the cost of unemployment insurance for staff whose yearly at-will contracts are not renewed;
- Reducing costs by eliminating non-essential discretionary expenditures and through vendor negotiations to achieve better rates;
- Applying for E-rate approval to reduce communications costs;
- Funding an operating reserve to provide a cushion in the event of unexpected situations;
- Seeking other private funding sources to supplement the operating budget;
- Seeking other federal grants through the CCIP and ODE to support academic activities;
- Utilizing short term notes to fund cash flow.

Management will re-evaluate the Academy's financial position on a monthly basis and report to the governing board to determine the effectiveness of these strategies. The Academy has passed a balanced budget for fiscal year 2011 and has a cash balance of \$133,730 as of June 25, 2010.

**FCI ACADEMY  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR</b>	Federal		
<i>Pass Through Grantor</i>	CFDA		
Program Title	Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Donation)			
National School Lunch Program	10.555	\$ 12,711	\$ 12,711
Cash Assistance:			
School Breakfast Program	10.553	72,407	72,407
National School Lunch Program	10.555	147,176	147,176
Cash Assistance Subtotal		<u>219,583</u>	<u>219,583</u>
Total Child Nutrition Cluster		<u>232,294</u>	<u>232,294</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>232,294</u></b>	<b><u>232,294</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	354,669	351,198
Special Education_Grants to States	84.027	74,822	95,058
Safe and Drug-Free Schools and Communities_State Grants	84.186	8,542	22,208
School Improvement Grants	84.377	59,495	59,495
State Grants for Innovative Programs	84.298	1,777	0
Education Technology State Grants	84.318	8,035	159
Improving Teacher Quality State Grants	84.367	22,759	16,032
<b>Total U.S. Department of Education</b>		<b><u>530,099</u></b>	<b><u>544,150</u></b>
<b>Total</b>		<b><u>\$ 762,393</u></b>	<b><u>\$ 776,444</u></b>

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

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports the Academy's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The Academy reports commodities consumed on the Schedule at the entitlement value. The Academy allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the Academy to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# 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, 2009, and have issued our report thereon dated June 25, 2010, wherein we noted the Academy has suffered recurring losses from operations and has a net asset deficiency. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

### **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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 25, 2010, except for information presented in the Schedule of Findings as item 2009-001, for which the date is August 25, 2010



# 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, 2009. 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, 2009.

### 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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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, the Board of Directors, the Academy's sponsor, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 25, 2010

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OBM CIRCULAR A-133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 – Title I Grants to Local Educational Agencies  CFDA #10.553 / 10.555 – Child Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

FCI ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
OBM CIRCULAR A-133 § .505  
JUNE 30, 2009  
(Continued)

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

**FINDING NUMBER 2009-001**

**Finding for Recovery Repaid Under Audit  
Improper Payment for Legal Services**

In June 2009, the Academy improperly paid for fees and expenses related to legal services rendered by the Academy's attorney to Miracit Development Corporation, a separate non-profit organization.

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 liable for the amount of such expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against the Academy's Treasurer, Carl Shye Jr., and his bonding company, The Hanover Insurance Company, jointly and severally, in the amount of two thousand thirty dollars (\$2,030), and in favor of FCI Academy's general fund.

On August 30, 2010, Miracit Development Corporation repaid the Academy the \$2,030.

**Officials' Response:**

The amount in question was inadvertently paid to FCI's attorney, who is also MiraCit's attorney, for services rendered on behalf of MiraCit Development Corporation. The invoices for both entities were submitted jointly in the same transmittal, and inadvertently paid. Going forward, the attorney has agreed to transmit the appropriate invoices to each entity separately, so as to avoid any future mispayments. Upon notification, the funds were promptly repaid by MiraCit to FCI Academy.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OBM CIRCULAR A-133 § .315 (b)  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	<b>Significant Deficiency / Material Non-Compliance / Finding for Recovery Repaid Under Audit</b> Payroll Overpayment	Yes	
2008-002	<b>Significant Deficiency / Material Non-Compliance / Finding for Recovery Repaid Under Audit</b> Lease Overpayment	Yes	
2008-003	<b>Significant Deficiency / Material Weakness</b> Financial Reporting	Yes	

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether FCI Academy, Franklin County, Ohio, (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 23, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (4) A procedure for reporting prohibited incidents;
  - (5) A procedure for documenting any prohibited incident that is reported;
  - (6) A procedure for responding to and investigating any reported incident;

- (7) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (2) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
  - (3) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 25, 2010



# Dave Yost • Auditor of State

**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 29, 2011**