



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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FCI ACADEMY  
FRANKLIN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • Auditor of State

Governing Board  
FCI Academy  
2177 Mock Road  
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the FCI Academy, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The FCI Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 22, 2013

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FCI ACADEMY  
YEAR ENDED JUNE 30, 2012

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

Members of the Board  
FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

We have audited the accompanying financial statements of the business-type activities of the FCI Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2012, 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 business-type activities of FCI Academy, Franklin County, Ohio, as of June 30, 2012, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the Academy has suffered recurring losses from operations and has a net asset deficiency. Note 15 describes management's plan 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 January 11, 2013, 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 do 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. The 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 Academy's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures 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 Schedule of Federal Awards Receipts and Expenditures 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.

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
January 11, 2013



**FCI ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2012  
(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, 2012. 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 \$137,528
- Total Liabilities were \$455,600
- Change in Net Assets was (\$63,852)

**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 Change 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 2012?" 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 for fiscal years 2012 and 2011.

<b>Table 1 - Net Assets</b>			
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets</b>			
Current Assets	\$137,528	\$-	\$137,528
Capital Assets, Net	-	5,071	(5,071)
Total Assets	137,528	5,071	132,457
<b>Liabilities</b>			
Current liabilities	455,600	259,291	196,309
Total Liabilities	455,600	259,291	196,309
<b>Net Assets</b>			
Invested in Capital Assets	-	5,071	(5,071)
Unrestricted (Deficit)	(318,072)	(259,291)	(58,781)
Total Net Assets (Deficit)	(318,072)	(254,220)	\$ (63,852)

**FCI ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2012  
(UNAUDITED)**

Total assets increased \$132,457 largely as a result of an increase in accounts receivable. Current liabilities increased \$196,309 largely as a result of an increase in accounts payable and accrued wages payable.

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 2011.

**Table 2 - Change in Net Assets**

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Operating Revenues			
State Foundation	\$2,562,526	\$2,662,023	\$ (99,497)
Poverty Based Assistance	124,705	70,747	53,958
Other Operating	22,261	27,182	(4,921)
Total Operating Revenues	<u>2,709,492</u>	<u>2,759,952</u>	<u>(50,460)</u>
Non-Operating Revenues			
Federal and State Grants	682,786	786,963	(104,177)
Total Non-Operating Revenues	<u>682,786</u>	<u>786,963</u>	<u>(104,177)</u>
Total Revenues	<u>3,392,278</u>	<u>3,546,915</u>	<u>(154,637)</u>
Operating Expenses			
Salaries	1,818,399	1,944,649	(126,250)
Fringe Benefits	454,592	497,435	(42,843)
Purchased Services	215,405	313,051	(97,646)
Rent	764,295	668,502	95,793
Materials & Supplies	198,368	138,630	59,738
Depreciation	5,071	34,893	(29,822)
Total Expenses	<u>3,456,130</u>	<u>3,597,160</u>	<u>(141,030)</u>
Change in Net Assets	(63,852)	(50,245)	(13,607)
Net Assets (Deficit) at Beginning of Year	<u>(254,220)</u>	<u>(203,975)</u>	<u>(50,245)</u>
Net Assets (Deficit) at End of Year	<u>\$ (318,072)</u>	<u>\$ (254,220)</u>	<u>\$ (63,852)</u>

Total foundation revenue was down by \$99,497 due to a 6% decline in enrollment to 393 students. The Academy's management compensated for the revenue decline by reducing total expenses by \$141,030 for the year. The Academy had a net loss of (\$63,852) for the year.

**Debt**

The Academy had \$22,000 in outstanding debt at June 30, 2012. For more information on debt, see note 6 to the basic financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2012  
(UNAUDITED)**

**Capital Assets**

At the end of fiscal year June 30, 2012, the Academy had \$0 (net of \$197,088 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 4 to the basic financial statements.

**Current Financial Issues**

During the fiscal year ended June 30, 2012, there were approximately 393 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil funding for this fiscal year amounted to \$6,520 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, 2012**

	<b>2012</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 735
Accounts Receivable	136,793
Total Current Assets	137,528
Total Assets	\$ 137,528
 <b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 137,507
Accrued Wages Payable	277,362
Short Term Notes Payable	22,000
Cash Overdraft	18,731
Total Current Liabilities	455,600
Total Liabilities	455,600
 <b>NET ASSETS</b>	
Unrestricted	(318,072)
Total Net Assets	\$ (318,072)

See the accompanying notes to the basic financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>2012</b>
<b>OPERATING REVENUES</b>	
State Foundation	\$2,562,526
Poverty Based Assistance	124,705
Other	22,261
<b>TOTAL OPERATING</b>	<b>2,709,492</b>
<b>OPERATING EXPENSES</b>	
Salaries	1,818,399
Fringe Benefits	454,592
Purchased Services	215,405
Rent	764,295
Materials & Supplies	198,368
Depreciation	5,071
<b>TOTAL OPERATING EXPENSES</b>	<b>3,456,130</b>
<b>OPERATING LOSS</b>	<b>(746,638)</b>
<b>NON-OPERATING REVENUES</b>	
Federal and State Grants	682,786
Change in Net Assets	(63,852)
Beginning Net Assets (Deficit)	(254,220)
<b>Net Assets (Deficit) at End of Year</b>	<b>\$ (318,072)</b>

See the accompanying notes to the basic financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>2012</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from the State of Ohio	\$2,687,231
Cash Received from Other Operating Sources	9,873
Cash Payments to Suppliers for Goods and Services	(1,124,991)
Cash Payments to Employees for Services	(1,653,655)
Cash Payments for Employee Benefits	(613,989)
<b>Net Cash Used for Operating Activities</b>	<b>(695,531)</b>
 <b>Cash Flows from Noncapital Financing Activities</b>	
Proceeds from Cash Overdraft	11,829
Cash Received from Federal and State Grants	662,437
Cash Proceeds from Notes	190,000
Cash Payments for Principal	(168,000)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>696,266</b>
 Net Increase in Cash and Cash Equivalents	735
Cash and Cash Equivalents at Beginning of Year	-
<b>Cash and Cash Equivalents at End of Year</b>	<b>735</b>
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	(746,638)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	5,071
Changes in Assets and Liabilities:	
Increase in Accounts Receivable related to Operating	(91,182)
Increase in Accounts Payable related to Operating Activities	61,728
Increase in Accrued Wages Payable	75,490
Total Adjustments	51,107
Net Cash Used for Operating Activities	<b>\$ (695,531)</b>

See the accompanying notes to the basic financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**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, 2011. The Board and the Sponsor on July 1, 2011 renewed their contract again through June 30, 2016.

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 five instructional/support facilities staffed by 37 non-certificated and 29 certificated full time teaching personnel who provide services to 393 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 Change 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.

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

<b>2. Summary of Significant Accounting Policies (Continued)</b>
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**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 Change 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.

**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, 2012**

<b>2. Summary of Significant Accounting Policies (Continued)</b>
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**F. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Basic Aid Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

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, 2012**

**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.

**L. Accounts Receivable**

Accounts receivable are shown at their net realizable value and are reported at the amount that the Academy expects to collect on balances outstanding at year-end. Uncollectible accounts are charged to operations during the period in which they are determined to be uncollectible. The Academy considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required

**3. Deposits**

At fiscal year end June 30, 2012, the carrying amounts of the Academy's deposits were a deficit of (\$18,731) and surplus of \$735 and the bank balances were \$26,648 and \$2,471, respectively. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2012, all of the Academy's bank balance was covered by the Federal Depository Insurance Corporation (FDIC). 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.

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**3. Deposits (Continued)**

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 105% of the deposits being secured.

**4. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<b>Balance 06/30/11</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/12</b>
<b>Capital Assets:</b>				
Equipment	\$ 149,401	\$ -	\$ -	\$ 149,401
Leasehold Improvements	47,687	-	-	47,687
Total Capital Assets	<u>197,088</u>	<u>-</u>	<u>-</u>	<u>197,088</u>
Less Accumulated Depreciation:				
Equipment	(146,666)	(2,735)	-	(149,401)
Leasehold Improvements	(45,351)	(2,336)	-	(47,687)
Total Accumulated Depreciation	<u>(192,017)</u>	<u>(5,071)</u>	<u>-</u>	<u>(197,088)</u>
Capital Assets, Net	<u>\$ 5,071</u>	<u>\$ (5,071)</u>	<u>\$ -</u>	<u>\$ -</u>

**5. Operating Leases**

The Academy has an operating lease for the period of July 1, 2011 through June 30, 2016 with Living Faith Apostolic Church to lease a school facility. The base rental of the lease is zero dollars. However, minimum monthly payments are required of \$34,325 as a pro rata share of the annual operating costs and overhead of the building based on amendments to the original lease agreement. Payments in the amount of \$415,348 were made during fiscal year 2012. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities. At June 30, 2012 the Academy owed Living Faith Apostolic Church \$23,000, included in accounts payable.

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**5. Operating Leases (Continued)**

The Academy had an operating lease for the period of July 1, 2011 through October 31, 2011 with MiraCit Development Corporation to lease school facilities. The base rental of the leases is zero dollars. However, monthly payments are required of \$22,716 as a pro rata share of the annual operating costs and overhead of the building. On November 1, 2011 the lease was modified making the Academy responsible for all costs associated with the property, including but not limited to: all utilities (water and sewer, gas, electric, cable, internet and telephone services), mortgage payments to Huntington Bank, property taxes, and property insurance. This modified lease is effective from November 1, 2011 to June 30, 2016. Payments in the amount of \$90,862 and \$127,564 were made during fiscal year 2012 to MiraCit and Huntington, respectively. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities. At June 30, 2012, the Academy owed MiraCit \$29,108.

The remaining rent related charges to various vendors during fiscal year 2012 were \$108,466.

**6. Debt**

Debt activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance 06/30/11</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 06/30/12</u>	<u>Due Within One Year</u>
Related Party Notes Payable:					
Living Faith Apostolic Church 0.00% Issued 8/23/2011	0	25,000	25,000	0	0
Living Faith Apostolic Church 0.00% Issued 8/29/2011	0	3,000	3,000	0	0
Living Faith Apostolic Church 0.00% Issued 9/29/2012	0	15,000	15,000	0	0
FCI Marketplace Inc. 0.00% Issued 10/26/2011	0	60,000	60,000	0	0
Living Faith Apostolic Church 0.00% Issued 3/28/2012	0	30,000	30,000	0	0
Living Faith Apostolic Church 0.00% Issued 4/27/2012	0	25,000	25,000	0	0
FCI Marketplace Inc. 0.00% Issued 6/6/2012	0	10,000	10,000	0	0
FCI Marketplace Inc. 0.00% Issued 6/28/2012					
Maturity 7/15/2012	0	22,000	0	22,000	22,000
	<u>\$0</u>	<u>\$190,000</u>	<u>\$168,000</u>	<u>\$22,000</u>	<u>\$22,000</u>

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**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, 2012 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

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded the commercial 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.

**8. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund healthcare benefits. For fiscal year 2012, 12.7% and 1.3% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$83,790, \$100,116 and \$128,150, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy participates in 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by SIRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2009 were \$152,673, \$173,718, and \$223,506, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2009.

**9. Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System(SERS) for non-certificated 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**9. Postemployment Benefits (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 1.3% of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$14,304, \$10,226 and \$4,211, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75% of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,948, \$5,435 and \$6,957, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "*Publications*" or by calling (888) 227-7877.



**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**9. Postemployment Benefits (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$11,744, \$12,408, and \$15,965, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

**10. Purchased Services**

For the fiscal year June 30, 2012, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	\$196,836
Communications	18,098
Pupil Transportation	471
Total Purchased Services	<u>\$215,405</u>

**11. 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 calendar year. All personal/sick time that has accumulated during an employee's contract period cannot be carried forward past the end of the contract period.

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.

**12. Contingencies**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**12. Contingencies (Continued)**

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

**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. As a result of the review after fiscal year end, the Ohio Department of Education underpaid the Academy \$5,612.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**13. 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.

During fiscal year 2012, the Academy reimbursed LFAC \$3,452 for the Academy's portion of operating costs and made \$411,896 in operating lease payments to LFAC as disclosed in Note 5, and made \$98,000 in note repayments to LFAC as disclosed in Note 6.

During fiscal year 2012, the Academy reimbursed MiraCit Development Corporation \$0 for the Academy's portion of operating costs, made \$90,862 in operating lease payments to MiraCit Development Corporation as disclosed in Note 5.

During fiscal year 2012, the Academy made \$70,000 in note repayments to FCI Marketplace Inc. as disclosed in Note 6. The Academy still owed FCI Marketplace Inc. \$22,000 as of June 30, 2012.

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, 2011, and again on July 1, 2011 through June 30, 2016, whereby terms of the sponsorship was established. That agreement requires the Academy to pay the sponsor 1.5% of the per pupil allotment paid to the Academy by the State of Ohio. A total of \$40,264 in sponsorship fees was paid by the Academy to LCESC during fiscal year 2012. On January 1, 2012, the Lucas County Educational Service Center changed its name to Educational Service Center of Lake Erie West.

**FCI ACADEMY  
FRANKLIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2012**

**14. Subsequent Events**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. The Academy has evaluated subsequent events through January 11, 2013, the date on which the financial statements were available to be issued.

On August 3, 2012, the Academy entered into a promissory note with Living Faith Apostolic Church (LFAC) in the amount of \$5,000 with a maturity date of December 31, 2012 to cover certain Academy operating expenses. The note carried a 1% interest rate and was repaid on August 13, 2012.

On August 29, 2012, the Academy entered into a promissory note with Edgar A. Posey in the amount of \$20,000 with a maturity date of December 31, 2012 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on August 31, 2012.

Subsequent to June 30, 2012 the enrollment for FCI Academy has increased from 393 to 419.

**15. Management Plan**

The Academy's recent cash flow challenges have been due primarily to untimely and inconsistent levels of monthly foundation payments and a decrease in enrollment.

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

- Continued assessment of staffing needs with potential reductions;
- Continued reduction in costs by eliminating non-essential discretionary expenditures and through vendor negotiations to achieve better rates;
- Applying for E-rate approval to reduce communications costs;
- 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 bi-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 2013.

FCI Academy  
Franklin County  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>United States Department of Agriculture</b>				
<i>Passed through Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
National School Lunch Program	3L60	10.555	\$ 118,151	\$ 118,151
School Breakfast Program	3L70	10.553	39,058	39,058
Total Child Nutrition Cluster			157,209	157,209
<b>Total United States Department of Agriculture</b>			157,209	157,209
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
<i>Title I, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	283,986	291,833
Total Title I, Part A Cluster			283,986	291,833
<i>Special Education Cluster:</i>				
Special Education - Grants to States	3M20	84.027	82,704	117,358
Total Special Education Cluster			82,704	117,358
<i>Educational Technology State Grants Cluster</i>				
Educational Technology State Grants	3S20	84.318	14,925	800
Total Educational Technology State Grants Cluster			14,925	800
Improving Teacher Quality State Grants	3Y60	84.367	-	1,155
Education Jobs Fund	3ET0	84.410	73,205	65,316
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	39,070	31,114
<b>Total United States Department of Education</b>			493,890	507,576
<b>Total Federal Financial Assistance</b>			\$ 651,099	\$ 664,785

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**FCI Academy**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board  
FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

We have audited the financial statements of the business-type activities of FCI Academy, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2012, and have issued our report thereon dated January 11, 2013, wherein we noted the Academy 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
January 11, 2013



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board  
FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

### Compliance

We have audited the compliance of 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 could directly and materially affect each of FCI Academy's major federal programs for the year ended June 30, 2012. 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.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, FCI Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.



FCI Academy

Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133

Page 2

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 management, the Board Members, the Academy's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

January 11, 2013

**FCI Academy  
Franklin County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster: Title I - CFDA #84.010  Education Jobs Fund – CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**FCI Academy  
Franklin County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2012**

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

**None noted**

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

**None noted**

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2011-001	Material Weakness – Internal Controls over Financial Reporting	Yes	
2011-002	Material Weakness – Expenditure Authorization – Allowable Costs/Cost Principles, Activities Allowed or Unallowed, and Period of Availability	Yes	
2011-003	Material Non-Compliance/Material Weakness – Special Tests and Provisions – Separate Accountability for ARRA Funding	Yes	
2011-004	Material Non-Compliance – Timely Filing of A-133 Reporting Package	Yes	



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## Independent Auditor's 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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether FCI Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated June 30, 2012, we noted the Board adopted an anti-harassment policy on September 23, 2009. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the September 23, 2009 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
  - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as amended by House Bill 19 of the 128<sup>th</sup> General Assembly;
  - (2) 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;
  - (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (4) 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 and the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
January 11, 2013



# 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 7, 2013**