FCI ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

FCI ACADEMY
FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

FCI Academy
Franklin County
2177 Mock Road
Columbus, OH 43219

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the FCI Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the FCI Academy, Franklin County, Ohio, as of June 30, 2015, and the change in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2015, the Academy has elected to change its financial presentation to a cash basis comparable to the requirements of *Government Accounting Standards*. We did not modify our opinion regarding this matter.

The Academy ceased operations on September 8, 2015. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2016

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The discussion and analysis of FCI Academy (the Academy)'s financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2015. 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

Key financial highlights for fiscal year 2015 are as follows:

- Total net position decreased $94,710.
- Total assets decreased $209,895.
- Total liabilities decreased $616,217.
- Total revenues decreased $306,506.
- Total expenses decreased $479,788.

Using this Annual Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position and statement of revenues, expenses and change in net position. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity.

The Academy has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when they result in cash transactions.

Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position

The Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position answer the question, "How did we do financially during fiscal year 2015?" These statements include only the Academy's net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

Table 1 provides a summary of the Academy's net position for fiscal years 2015 (cash basis) and 2014 (accrual basis).

Table 1
Net Position

	2015	2014	Change
Assets			
Current Assets	$(74,798)	$135,097	$(209,895)
Total Assets	(74,798)	135,097	(209,895)
Liabilities			
Current liabilities	-	616,217	(616,217)
Total Liabilities	-	616,217	(616,217)
Net Position			
Unrestricted (Deficit)	(74,798)	(481,120)	n/a
Total Net Position (Deficit)	$(74,798)	$(481,120)	n/a

As a result of using the cash basis of accounting, certain assets and their related revenues (such as Accounts Receivables) and certain liabilities and their related disbursements (such as Accounts Payable) are not reported in these basic financial statements for fiscal year 2015. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of cash basis accounting.

Table 2 shows the change in net position for the fiscal year ended June 30, 2015 (cash basis) compared to fiscal year 2014 (accrual basis).

Table 2
Change in Net Position

	2015	2014	Change
Operating Revenues			
State Foundation	$2,242,183	$2,604,500	$ (362,317)
Casino	17,451	22,426	(4,975)
Sales	18,282	28,953	(10,671)
Extracurricular Activities	5,405	2,671	2,734
Non-Operating Revenues			
Federal and State Grants	715,715	732,312	(16,597)
Loan Proceeds	40,000	-	40,000
Refund of Prior Year Expenses	47,358	-	47,358
Miscellaneous	3,288	5,326	(2,038)
Total Revenues	3,089,682	3,396,188	(306,506)

(continued)

Operating Expenses			
Salaries	1,551,265	1,897,699	(346,434)
Fringe Benefits	501,541	469,942	31,599
Purchased Services	518,395	196,148	322,247
Rent	310,681	783,784	(473,103)
Materials & Supplies	241,771	285,229	(43,458)
Capital Outlay	10,096	24,466	(14,370)
Miscellaneous	30,643	6,912	23,731
Non-Operating Expenses			
Loan Payments	20,000	-	20,000
Total Expenses	3,184,392	3,664,180	(479,788)
Change in Net Position	(94,710)	(267,992)	173,282
Net Position at Beginning of Year (Restated)	19,912	n/a	n/a
Net Position (Deficit) at End of Year	$ (74,798)	$ 19,912	$ (94,710)

Debt
At June 30, 2015, the Academy has $20,000 in outstanding loans. For more information on debt, see note 7 to the basic financial statements.

Capital Assets
The Academy does not capitalize assets on its financial statements or record the amortization of depreciation expense, rather, the Academy records disbursements when capital assets are purchased.

Current Financial Issues
The Academy was sponsored by the Educational Service Center of Lake Erie West (formerly known as Lucas County Educational Service Center). The Academy ceased operations on September 8, 2015.

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, Treasurer, 2177 Mock Road, Columbus, Ohio, or by email at ndill@miracit.org.

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FCI ACADEMY
FRANKLIN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

ASSETS	
Current Assets	
Cash	$ (74,798)
Total Current Assets	(74,798)
Total Assets	(74,798)
NET POSITION	
Unrestricted (Deficit)	(74,798)
Total Net Position (Deficit)	$ (74,798)

See the accompanying notes to the basic financial statements.

FCI ACADEMY
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenues	
State Foundation	$ 2,242,183
Casino	17,451
Sales	18,282
Extracurricular Activities	5,405
Total Operating Revenues	2,283,321
Operating Expenses	
Salaries	1,551,265
Fringe Benefits	501,541
Purchased Services	518,395
Rent	310,681
Materials & Supplies	241,771
Capital Outlay	10,096
Miscellaneous	30,643
Total Operating Expenses	3,164,392
Operating Loss	(881,071)
Non-Operating Revenues / Expenses	
Federal Grants	711,192
State Grants	4,523
Refund of Prior Year Expenses	47,358
Loan Proceeds	40,000
Loan Payments	(20,000)
Miscellanenous	3,288
Total Non-Operating Revenues / Expenses	786,361
Change in Net Position	(94,710)
Net Position at Beginning of Year (Restated)	19,912
Net Position (Deficit) at End of Year	$ (74,798)

See the accompanying notes to the basic financial statements.

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. On July 1, 2011, the Board and the Sponsor renewed their contract again through June 30, 2016. During 2012, the Sponsor changed its name from Lucas County Educational Center to Educational Service Center of Lake Erie West.

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 Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's five instructional/support facilities staffed by 2 teacher aides and 36 teachers who provide services to 428 students.

2. Summary of Significant Accounting Policies

These financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy’s accounting policies.

A. Basis of Presentation
The Academy's basic financial statements consist of a Statement of Net Position and a Statement of Revenues, Expenses, and Change in Net Position. 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 position, financial position, and cash flows.

B. Basis of Accounting
Although Ohio Administrative Code Section 117-2-03 (B) requires the Academy’s financial report to follow generally accepted accounting principles (GAAP), the Academy chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The Academy recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

C. 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.

2. Summary of Significant Accounting Policies (Continued)

D. Cash
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.

E. 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 paid 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.

F. Intergovernmental Revenues
The Academy currently participates in the State Foundation Basic Aid Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met. Amounts received under the above program for the 2015 fiscal year totaled $2,242,183.

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. Amounts recorded under the above program for the 2015 fiscal year totaled $715,715.

G. Capital Assets
Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. 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. Not all personal/sick time that has accumulated during an employee's contract period can 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.

Unpaid personal/sick leave are not reflected as liabilities under the cash basis of accounting used by the Academy.

I. 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 Ohio Department of Education.

J. Employer Contributions to Cost Sharing Pension Plans
The Academy recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-employment health care benefits.

2. Summary of Significant Accounting Policies (Continued)

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Academy did not have any restricted net position at fiscal year-end.

3. Change in Basis of Accounting and Restatement of Net Position

Change in Basis of Accounting

For 2015, the Academy ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2.

Restatement of Net Position

The implementation of this change had the following effect on net position as was previously reported.

Net Position, 6/30/2014	($481,120)
Eliminations:	
Asset Accruals	(110,104)
Liability Accruals	611,136
Restated Net Position, 6/30/2014	$19,912

4. Change in Accounting Principles

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”, and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”.

GASB Statement No. 68 improves the information provided by local government employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Academy.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Academy.

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement 68 related to amounts associated with contributions by a local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Academy.

5. Deposits

At June 30, 2015, the carrying amount of the Academy's deposits was a negative $74,798, and the bank balance was $67,520. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

6. 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 $310,681 were made during fiscal year 2015. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

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 $99,856 and $47,292 were made during fiscal year 2015 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.

7. Debt

Debt activity for the fiscal year ended June 30, 2015 was as follows:

	Balance 6/30/14	Issued	Redeemed	Balance 6/30/15
LFAC				
0.0% Issued 1/28/15	$ -	$ 10,000	$ (10,000)	$ -
LFAC				
0.0% Issued 2/26/15	-	30,000	$ (10,000)	20,000
Totals	$ -	$ 40,000	$ (20,000)	$ 20,000

See Note 13 for more information regarding the loans.

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. For fiscal year 2015, the Academy contracted with Guide One Mutual Insurance Company for the following insurance coverage:

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.

8. Risk Management (Continued)

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.

9. Defined Benefit Pension Plans

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services.

Pensions are provided to an employee – on a deferred payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the Academy’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position.

The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy’s obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

9. Defined Benefit Pension Plans (Continued)

School Employees Retirement System (SERS)
Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $67,680 for fiscal year 2015.

State Teachers Retirement System of Ohio (STRS Ohio)
Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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.

9. Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Academy’s contractually required contribution to STRS Ohio was $146,824 for fiscal year 2015.

9. Defined Benefit Pension Plans (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$1,027,624	$3,175,048	$4,202,672
Proportion of the Net Pension Liability	0.020305%	0.01305344%	

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		4.00 percent to 22 percent
COLA or Ad Hoc COLA		3 percent
Investment Rate of Return		7.75 percent net of investments expense, including inflation
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

9. Defined Benefit Pension Plans (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$1,466,115	$1,027,624	$658,816

Actuarial Assumptions – STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

9. Defined Benefit Pension Plans (Continued)

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set back two years through age 89 and not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
Total	100.00	%		

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

9. Defined Benefit Pension Plans (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$4,545,428	$3,175,048	$2,016,168

10. Postemployment Benefits

School Employees Retirement System

Health Care Plan Description – The Academy contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the Academy's surcharge obligation was $7,357. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $11,322, $11,906, and $11,120, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

State Teachers Retirement System of Ohio

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS Ohio to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

10. Postemployment Benefits (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $13,484, and $11,598 respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

11. Purchased Services

For the fiscal year June 30, 2015, purchased service expenses were payments for services rendered by various vendors, and were as follows:

Professional & Technical Services	$ 142,582
Property Services	293,238
Communications	26,444
Utilities	55,689
Miscellaneous	442
	$ 518,395

12. Sponsor Agreement

The Academy entered into a five-year sponsorship agreement with the Educational Service Center of Lake Erie West (ESCLEW), formerly known as Lucas County Educational Service Center (LCESC) on July 1, 2011 through June 30, 2016, whereby terms of the sponsorship was established. That agreement requires the Academy to pay the sponsor 0.5% of the per-pupil allotment paid to the Academy by the State of Ohio. A total of $44,364 in sponsorship fees was paid by the Academy to ESCLEW during fiscal year 2015. Sponsorship fees are recorded as purchased services on the Statement of Revenues, Expenses and Change in Net Position.

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 2015, the Academy reimbursed LFAC $4,725 for the Academy's portion of operating costs and made $310,681 in operating lease payments as disclosed in Note 6. In addition, Pastor Edgar Posey and the Academy entered into a short-term note agreement to cover payroll costs. The Academy received $40,000 and repaid $20,000.

During fiscal year 2015, the Academy paid MiraCit Development Corporation $99,856 in operating lease as disclosed in Note 6.

14. Contingencies

A. Grants

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. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2015, if applicable, cannot be determined at this time.

B. State Funding

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Academy, which can extend past the fiscal year end. ODE has finalized their enrollment adjustments for June 30, 2015 and it did not result in any material adjustments.

C. Litigation

The Academy is involved in no material litigation as either plaintiff or defendant.

15. Subsequent Events

The Sponsor ordered the closure and discontinuation of the contract between the Sponsor and Academy effective September 8, 2015. This closure was deemed necessary by the Sponsor due to the Academy's contractual non-compliance. In addition, the Academy received $507,565 of revenue and expensed $328,424 from July 1, 2015 through February 28, 2016. However, ODE sent a letter to the Academy indicating $324,695 of foundation settlement revenue received for July and August 2015 settlements need to be returned.

16. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2015, the Academy prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures that, while material, cannot be determined at this time.

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FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Nutrition Cluster:		
School Breakfast Program	10.553	$ 51,969
National School Lunch Program	10.555	111,964
Total Nutrition Cluster		163,933
Total U.S. Department of Agriculture		**163,933**
U.S. DEPARTMENT OF Education		
Passed Through Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	338,595
Special Education Grants to States	84.027	70,215
		-
Race to the Top, Incentive Grants - ARRA	84.395	76,953
Total U.S. Department of Education		**485,763**
Total Federal Awards Expenditures		**$ 649,696**

The accompanying notes are an integral part of this schedule.

FCI ACADEMY
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the FCI Academy's (the Academy's) federal award programs' 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.

INDEPENDENT AUDITOR'S 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, OH 43219

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of FCI Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 18, 2016, wherein we noted the Academy has elected to change its financial presentation comparable to the requirements of *Government Accounting Standards*, which is a special purpose framework other than generally accepted accounting principles. We also noted the Academy ceased operations on September 8, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-004 to be a material weakness.

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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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-003.

Academy's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

FCI Academy
Franklin County
2177 Mock Road
Columbus, OH 43219

To the Board of Directors:

Report on Compliance for* the *Major Federal Program

We have audited the FCI Academy's (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the FCI Academy's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal program.

Management's Responsibility

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major program. However, our audit does not provide a legal determination of the Academy's compliance.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in finding 2015-005 in the accompanying schedule of findings, the Academy did not comply with requirements regarding Maintenance of Effort applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

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Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the FCI Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2015-006 through 2015-009. These findings did not require us to modify our compliance opinion on the major federal program.

The Academy's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

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

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-005 through 2015-009 to be material weaknesses.

The Academy's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2016

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FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2015-001

Noncompliance – Finding for Recovery

On August 13, 2014, Melissa Childress and Christopher Ervin signed a Teacher Employment Contract effective August 13, 2014 through June 30, 2015 specifying a salary of $30,000 and $31,000, respectively. Based on a 185 work day year, the daily rate for these contracts would have been $162.162 and $167.568, respectively.

Ms. Childress's employment was terminated on January 17, 2015. Therefore, Ms. Childress worked 104 days, at a daily rate of $162.162, and should have been paid $16,865, less 2 days of docked pay, for a total of $16,541. However, Ms. Childress was actually paid $18,649, for an overpayment of $2,108.

Mr. Ervin's employment was terminated on February 5, 2015. Therefore, Mr. Ervin worked 113 days, at a daily rate of $167.568, and should have been paid $18,935. However, Mr. Ervin was actually paid $20,946, for an overpayment of $2,011.

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 Melissa Childress and Cristopher Ervin in the amount of $2,108 and $2,011, respectively, and in favor of the Academy's General Fund and Title I Fund, respectively.

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 Co.* (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.

Additionally, Treasurer Nicholas Dill and Western Surety Company, his bonding company, will be jointly and severally liable in the amount of $2,108 and in favor the Academy's General Fund and $2,011 in favor of the Academy's Title I Fund, to the extent that recovery is not obtained from Melissa Childress or Christopher Ervin.

Officials' Response: The 2 individuals mentioned, Melissa Childress and Christopher Ervin, were paid out when FCI Academy was transitioning from QuickBooks to a new accounting software system namely the State Software. This transition was instituted effective January 1, 2015. The calculations to pay out the 2 individuals that resigned were completed in the new system but the data to perform the calculations was obtained from QuickBooks for the period of August 13^{th} thru December 31^{st} and the State Software system for Jan 1 forward. Pulling this data out of these systems resulted in an error in the calculations. When the errors were discovered in April of 2015, demand letters were sent for repayment to both individuals via certified mail. Both individuals were contacted by phone as well. To date no funds have been received from either party to satisfy their outstanding obligations.

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

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 149.351 requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

Ohio Rev. Code § 3314.08(C)(1) indicates except as provided in division (C)(2) of this section, and subject to divisions (C)(3), (4), (5), (6), and (7) of this section, on a full-time equivalency basis, for each student enrolled in a community school established under this chapter, the department of education annually shall deduct from the state education aid of a student's resident district and, if necessary, from the payment made to the district under sections 321.24 and 323.156 of the Revised Code and pay to the community school. Furthermore, in **ORC § 3314.08(H)** the department of education shall adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. For purposes of this section:

> (2) A student shall be considered to be enrolled in a community school for the period of time beginning on the later of the date on which the school both has received documentation of the student's enrollment from a parent and the student has commenced participation in learning opportunities as defined in the contract with the sponsor, or thirty days prior to the date on which the student is entered into the education management information system established under section 3301.0714 of the Revised Code. A student's enrollment shall be considered to cease on the date on which any of the following occur:
>
> (a) The community school receives documentation from a parent terminating enrollment of the student.
>
> (b) The community school is provided documentation of a student's enrollment in another public or private school.

The Academy was unable to provide any of the EMIS documents for fiscal year 2015. As a result, we were unable to test student enrollment and withdrawal information, and therefore, could provide no assurance on the attendance information, which is used to calculate the full-time equivalency used in the calculation of the foundation settlement receipts.

Without the information available to support the enrollment and withdrawal attendance information, it would be possible for the Academy to receive more foundation settlement receipts than they would be entitled to.

We recommend the Academy ensure EMIS reports are maintained to support the student attendance, which then supports the FTE used in the calculation of the foundation settlement receipts.

Officials' Response: I contacted Meta Solutions to gain access to the EMIS data. I was given some access but was not able to able to access the requested information for this audit.

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

FINDING NUMBER 2015-003

Noncompliance

Ohio Rev. Code § 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. Any public office not filing the report by the required date shall pay a penalty of $25 for each day the report remains unfiled, not to exceed $750. The Auditor of State may waive these penalties, upon the filing of the past due financial report. **Ohio Admin. Code § 117-2-03** further clarifies the requirements of **Ohio Rev. Code § 117.38**.

Ohio Admin. Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Academy prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the Academy being fined or other administrative remedies. In addition, the Academy did not file their financial report until May 2, 2016, which is more than 60 days after fiscal year-end.

The Academy should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and ensure they are filed with the Auditor of State's Office within the timeframe indicated in Ohio Rev. Code § 117.38.

Officials' Response: Due to the closing of the school on September 8, 2015 and the multiple responsibilities and procedures that ensued thereafter, I was left with very little time to complete all tasks in a timely fashion.

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

FINDING NUMBER 2015-004

Material Weakness

Strong monitoring practices of Academy financial activities are the responsibility of management and the Board and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances.

During fiscal year 2015, the Academy's monthly bank reconciliations from January to June 2015 had an unknown variance between the bank balance and the book balance, which ranged from the book balance being $434 understated to the book balance being $10,857 overstated. Our test of the June 30, 2015 payroll outstanding checks revealed $14,381 of payroll expenses posted to the books in June 2015 that did not clear until after year end, but were not on the outstanding check list. As a result, the unknown variance at June 30, 2015 was $25,238 rather than the original unknown amount of $10,857. In addition, we identified $6,863 of Ohio withholding taxes paid in July 2015 that appear to be fiscal year 2015 disbursements. We reported this amount to management as an unadjusted item.

As a result of inaccurate bank to book reconciliations, errors could go undetected resulting in inaccurate financial information being reported.

We recommend the Academy ensure bank reconciliations are performed timely and accurately to help ensure accurate financial reporting.

Officials' Response: We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

1. Title I – Maintenance of Effort

Finding Number	2015-005
CFDA Title and Number	Title I Grants to Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

34 CFR § 299.5(a) indicates a Local Education Agency (LEA) receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the State Education Agency (SEA) finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year. ODE Education Management Information System (EMIS) Manual, Chapters 1, 2, 4, and Appendix I require LEAs to report the annual Average Daily Membership (ADM) per student for Period N (Year End).

During testing of Title I, the Academy was unable to provide any ADM reports for fiscal year 2013 (fiscal year to be tested for fiscal year 2015 Title I), including the Period N report or Period H report. Therefore, the ADM information entered into EMIS and used in the Maintenance of Effort calculation performed by the State was not able to be verified as accurate and complete based on the underlying books and records.

The Academy should ensure the ADM reports are maintained to help support the student counts used in the Maintenance of Effort Calculation.

Officials' Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS (Continued)

2. Title I – Special Tests – Assessment System Security

Finding Number	2015-006
CFDA Title and Number	Title I Grants to Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

20 USC § 6311(b)(3)(A) indicates each State plan shall demonstrate that the State educational agency, in consultation with local educational agencies, has implemented a set of high-quality, yearly student academic assessments that include, at a minimum, academic assessments in mathematics, reading or language arts, and science that will be used as the primary means of determining the yearly performance of the State and of each local educational agency and school in the State in enabling all children to meet the State's challenging student academic achievement standards. **20 USC § 6311(b)(3)(C)(iii)** states such assessments shall be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards.

During testing of Title I, the Academy was unable to provide any policies or procedures to indicate the Academy implemented test security measures to ensure the assessment system is valid, reliable, and consistent with relevant professional and technical standards.

The Academy should ensure policies and procedures are in place to provide test security measures to ensure the assessment system is valid, reliable, and consistent with relevant professional and technical standards.

Officials' Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS (Continued)

3. Title I – Reporting – Final Expenditure Report

Finding Number	2015-007
CFDA Title and Number	Title I Grants to Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

32 CFR 80.41(a) states (1) Except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for: (i) Submitting financial reports to Federal agencies, or (ii) Requesting advances or reimbursements when letters of credit are not used. (2) Grantees need not apply the forms prescribed in this section in dealing with their subgrantees. However, grantees shall not impose more burdensome requirements on subgrantees. **State of Ohio Consolidated Application Assurances item 5** requires that LEAs will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties. Program funds are reported to the State of Ohio. Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered). **CCIP Final Expenditure Report – Completion Steps** indicates each LEA must ensure each Final Expenditure Report is submitted to ODE with Superintendent approval no later than September 30.

The Academy's ledgers showed fiscal year 2015 Title I expenditures to be $381,413, but the Final Expenditure Report for Title I only showed $353,055, for a difference of $28,357. Also, the Academy submitted the Final Expenditure Report to ODE on October 7, 2015, which is after the required date of September 30. The submission contained errors and was returned to the Academy on May 4, 2016. The Academy again submitted the Final Expenditure Report on May 6, 2016 and had it sent back by ODE on May 26, 2016. The final submission by the Academy was June 7, 2016, and it was then accepted by ODE on June 27, 2016.

Not submitting the Final Expenditure Report timely and accurately could result in the Academy not receiving the Federal funds timely or possibly forfeiting them.

The Academy should ensure the Final Expenditure Report is filed timely and accurately to ensure there is no delay or loss of Federal funds.

Officials' Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS (Continued)

4. Title I – Allowable Costs

Finding Number	2015-008
CFDA Title and Number	Title I Grants to Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

2 CFR part 225, Appendix A indicates this Appendix establishes principles for determining the allowable costs incurred by State, local, and federally-recognized Indian tribal governments (governmental units) under grants, cost reimbursement contracts, and other agreements with the Federal Government (collectively referred to in this appendix and other appendices to 2 CFR part 225 as “Federal awards”). **2 CFR part 225, Appendix A, (C)(1)(j)** indicates to be allowable under Federal awards, costs must meet the following general criteria: Be adequately documented.

During testing of the Title I payroll, it was noted an employee was paid $2,011 more than the employment contract supported. As a result, the additional payroll was not adequately documented, and was therefore, not an allowable cost for the Federal grant.

Refer to Schedule of Findings comment 2015-001 for further information on the overpayment.

The Academy should ensure all employees are paid according to their employment contracts to ensure improper expenses are not being charged to the Federal grants.

Officials’ Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS (Continued)

5. Federal Schedule Errors

Finding Number	2015-009
CFDA Title and Number	Title I Grants to Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2015
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. **Section .300(a)** of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
2. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
3. Include notes that describe the significant accounting policies used in preparing the schedule.
4. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
5. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The original schedule of federal awards expenditures prepared by the Academy for fiscal year 2015 did not include $163,933 of School Breakfast Program and National School Lunch Program expenditures. In addition, the original federal expenditures for Title I and Special Education were $350,092 and $143,193, respectively, and the adjusted amounts were $338,595 and $70,215, respectively. The differences in the original and adjusted expenditures appear to be funds being spent for Title I and Special Education in excess of the amount received for those grants.

The Academy has made these adjustments to the schedule of federal awards expenditures.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

5. Federal Schedule Errors (Continued)

Failure to identify federal awards and accurately prepare a schedule of federal awards expenditures may result in noncompliance with A133 and may compromise the Academy's ability to obtain federal awards in the future.

We recommend the Academy implement procedures to track and readily identify the disbursement of all federal awards. The Academy should use this information to ensure accurate preparation of the schedule of federal awards expenditures at year end.

Officials' Response: See Corrective Action Plan

FCI ACADEMY
FRANKLIN COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-005	I was not able to able to access the requested information for this audit.	N/A	N/A – Academy has closed
2015-006	I was not able to able to access the requested information for this audit.	N/A	N/A – Academy has closed
2015-007	Due to the closing of the school on September 8, 2015 and the multiple responsibilities and procedures that ensued thereafter, I was left with very little time to complete all tasks in a timely fashion.	N/A	N/A – Academy has closed
2015-008	The 2 individuals mentioned, Melissa Childress and Christopher Ervin, were paid out when FCI Academy was transitioning from QuickBooks to a new accounting software system namely the State Software. This transition was instituted effective January 1, 2015. The calculations to pay out the 2 individuals that resigned were completed in the new system but the data to perform the calculations was obtained from QuickBooks for the period of August 13th thru December 31st and the State Software system for Jan 1 forward. Pulling this data out of these systems resulted in an error in the calculations. When the errors were discovered in April of 2015, demand letters were sent for repayment to both individuals via certified mail. Both individuals were contacted by phone as well. To date no funds have been received from either party to satisfy their outstanding obligations.	N/A	N/A – Academy has closed
2015-009	We did not receive a response from Officials to this finding.	N/A	N/A – Academy has closed

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
JANUARY 31, 2017