



Dave Yost • Auditor of State



**FCI ACADEMY  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets .....	7
Statement of Revenues, Expenses and Change in Net Assets .....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements .....	11
Federal Awards Receipt and Expenditure Schedule .....	25
Notes to the Federal Awards Receipt and Expenditure Schedule.....	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133.....	29
Schedule of Findings and Questioned Costs.....	31
Schedule of Prior Audit Findings.....	39
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	41

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

To the Board of Directors:

We have audited the accompanying basic financial statements of the FCI Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FCI Academy, Franklin County, Ohio, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

June 30, 2011

**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2010  
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, 2010. 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 \$127,358
- Total Liabilities were \$331,333
- Change in Net Assets was \$255,203

**Using this Annual Financial Report**

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

**Statement of Net Assets**

The Statement of Net Assets answers the question, "How did we do financially during fiscal year 2010?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2010  
UNAUDITED  
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal years 2010 and 2009.

Table 1 - Net Assets

	<u>2010</u>	<u>2009</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 87,394	\$ 8,717	\$ 78,677
Capital Assets, Net	<u>39,964</u>	<u>74,858</u>	<u>(34,894)</u>
 Total Assets	 <u>127,358</u>	 <u>83,575</u>	 <u>43,783</u>
 <b>Liabilities</b>			
Current liabilities	<u>331,333</u>	<u>542,753</u>	<u>(211,420)</u>
 Total Liabilities	 <u>331,333</u>	 <u>542,753</u>	 <u>(211,420)</u>
 <b>Net Assets</b>			
Invested in Capital Assets	39,964	74,858	(34,894)
Unrestricted (Deficit)	<u>(243,939)</u>	<u>(534,036)</u>	<u>290,097</u>
Total Net Assets (Deficit)	\$ <u><u>(203,975)</u></u>	\$ <u><u>(459,178)</u></u>	\$ <u><u>255,203</u></u>

Total assets increased \$43,783 as a result of an increase in cash balances of \$78,677 and depreciation on capital assets. Current liabilities decreased \$211,420 as a result of no related party notes payable in the current year compared to \$203,000 in the prior year.



**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2010  
UNAUDITED  
(Continued)**

Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for the fiscal year compared to fiscal year 2009.

Table 2  
Change in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Operating Revenues			
State Foundation	\$ 3,013,569	\$ 3,548,423	\$ (534,854)
Poverty Based Assistance	104,790	104,152	638
Other Operating	<u>31,328</u>	<u>58,639</u>	<u>(27,311)</u>
Total Operating Revenues	<u>3,149,687</u>	<u>3,711,214</u>	<u>(561,527)</u>
Non-Operating Revenues			
Federal and State Grants	<u>1,104,869</u>	<u>765,215</u>	<u>339,654</u>
Total Non-Operating Revenues	<u>1,104,869</u>	<u>765,215</u>	<u>339,654</u>
Total Revenues	<u>4,254,556</u>	<u>4,476,429</u>	<u>(221,873)</u>
Operating Expenses			
Salaries	1,997,330	2,433,282	(435,952)
Fringe Benefits	658,002	609,769	48,233
Purchased Services	428,698	530,810	(102,112)
Rent	709,771	662,772	46,999
Materials & Supplies	170,659	249,640	(78,981)
Depreciation	<u>34,893</u>	<u>38,058</u>	<u>(3,165)</u>
Total Expenses	<u>3,999,353</u>	<u>4,524,331</u>	<u>(524,978)</u>
Change in Net Assets	255,203	(47,902)	303,105
Net Assets (Deficit) at Beginning of Year	<u>(459,178)</u>	<u>(411,276)</u>	<u>(47,902)</u>
Net Assets (Deficit) at End of Year	\$ <u>(203,975)</u>	\$ <u>(459,178)</u>	\$ <u>255,203</u>

Total foundation revenue was down by \$534,854 due to a 14% decline in enrollment to 448 students. The Academy's management compensated for the revenue decline by reducing total expenses by \$524,978 for the year. The Academy's change in net assets was increased from (\$47,902) to \$255,203.

**FCI ACADEMY  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Debt**

The Academy had no outstanding debt at June 30, 2010.

**Capital Assets**

At the end of fiscal year June 30, 2010, the Academy had \$39,964 (net of \$157,123 in accumulated depreciation) shown as capital assets. The Academy utilizes the capitalization policy approved by the Board of Directors. This policy essentially limits capitalization to those assets whose individual cost is greater than or equal to \$1,500.

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

**Current Financial Issues**

During the fiscal year ended June 30, 2010, there were approximately 448 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil funding for this fiscal year amounted to \$5,718 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, 2010**

**Assets**

Current Assets:

Cash and Cash Equivalents \$ 87,394

Total Current Assets 87,394

Non-Current Assets

Depreciable Capital Assets, Net 39,964

Total Noncurrent Assets 39,964

Total Assets 127,358

**Liabilities**

Current liabilities:

Accounts Payable 474

Accrued Wages Payable 330,859

Total Current Liabilities 331,333

Total Liabilities 331,333

**Net Assets**

Invested in Capital Assets 39,964

Unrestricted (243,939)

Total Net Assets \$ (203,975)

See the accompanying notes to the financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Operating Revenues:</b>	
State Foundation	\$ 3,013,569
Poverty Based Assistance	104,790
Other	<u>31,328</u>
<i>Total Operating Revenues</i>	3,149,687
<b>Operating Expenses:</b>	
Salaries	1,997,330
Fringe Benefits	658,002
Purchased Services	428,698
Rent	709,771
Materials & Supplies	170,659
Depreciation	<u>34,893</u>
<i>Total Operating Expenses</i>	3,999,353
<i>Operating Loss</i>	(849,666)
<b>Non-Operating Revenues:</b>	
Federal and State Grants	<u>1,104,869</u>
<i>Change in Net Assets</i>	255,203
<i>Beginning Net Assets (Deficit)</i>	<u>(459,178)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>\$ (203,975)</u></u>

See the accompanying notes to the financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Cash Flows from Operating Activities

Cash Received from the State of Ohio	\$ 3,118,359
Cash Received from Other Operating Sources	31,328
Cash Payments to Suppliers for Goods and Services	(1,325,134)
Cash Payments to Employees for Services	(1,930,740)
Cash Payments for Employee Benefits	<u>(717,006)</u>
Net Cash Used for Operating Activities	<u>(823,193)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants-Federal	1,082,148
Cash Received from Operating Grants-State	22,722
Cash Proceeds from Notes	54,000
Cash Payments for Principal	<u>(257,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>901,870</u>
Net (Decrease) in Cash and Cash Equivalents	78,677
Cash and Cash Equivalents at Beginning of Year	<u>8,717</u>
Cash and Cash Equivalents at End of Year	<u><u>87,394</u></u>

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

Operating Loss	(849,666)
Adjustments to Reconcile Operating Loss to Net Cash Ued for Operating Activities:	
Depreciation	34,893
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(16,006)
Increase in Accrued Wages Payable	66,590
Decrease in Intergovernmental Payable	<u>(59,004)</u>
Total Adjustments	<u>26,473</u>
Net Cash Used for Operating Activities	<u><u>\$ (823,193)</u></u>

See the accompanying notes to the financial statements.

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**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010**

**1. Description of the Reporting Entity**

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

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing September 20, 2004. On June 9, 2007, the Board and the Sponsor approved an extension of this contract through May 30, 2010. The Board and the Sponsor on April 28, 2010 renewed their contract again through June 30, 2010. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's five instructional/support facilities staffed by 33 non-certificated and 37 certificated full time teaching personnel who provide services to 448 students.

**2. Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases and decreases in net total assets. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

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

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

All monies received by the Academy are accounted for by the Academy's Treasurer. All cash received by the Academy is maintained in separate bank accounts in the Academy's name.

For the purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.



**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

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

**F. Intergovernmental Revenues**

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

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

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

**G. Capital Assets**

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

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

Leasehold improvements	5-15 years
Equipment	5 years

**H. Net Assets**

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

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

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

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

**I. Operating Revenues and Expenses**

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

**J. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**K. Economic Dependency**

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

**3. Changes in Accounting Principles**

For fiscal year 2010, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

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

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**4. Deposits**

At fiscal year end June 30, 2010, the carrying amount of the Academy's deposits was \$87,394 and the bank balance was \$102,176. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2010, \$250,000 was covered by the Federal Depository Insurance Corporation.

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

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

**5. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<b>Balance 06/30/09</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/10</b>
Capital Assets:				
Equipment	\$ 149,401	\$ -	\$ -	\$ 149,401
Leasehold Improvements	47,687	-	-	47,687
Total Capital Assets	197,088	-	-	197,088
Less Accumulated Depreciation:				
Equipment	(88,772)	(28,947)	-	(117,719)
Leasehold Improvements	(33,458)	(5,947)	-	(39,405)
Total Accumulated Depreciation	(122,230)	(34,894)	-	(157,124)
Capital Assets, Net	<u>\$ 74,858</u>	<u>\$ (34,894)</u>	<u>\$ -</u>	<u>\$ 39,964</u>

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**6. Operating Leases**

The Academy has an operating lease for the period of July 1, 2009 through June 30, 2010 with Living Faith Apostolic Church to lease a school facility. The base rental of the lease is zero dollars. However, monthly payments are required of \$33,334 as a pro rate share of the annual operating costs and overhead of the building based on amendments to the original lease agreement. Payments in the amount of \$403,502 were made during fiscal year 2010. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

The Academy has an operating lease for the period of November 1, 2005 through June 30, 2010 with MiraCit Development Corporation to lease school facilities. The base rental of the leases is zero dollars. However, monthly payments are required of \$22,054 as a pro rate share of the annual operating costs and overhead of the building. Payments in the amount of \$252,026 were made during fiscal year 2010. 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, 2010, was as follows:

	Balance 06/30/09	Issued	Redeemed	Balance 06/30/10	Due Within One Year
Related Party Notes Payable:					
Edgar A. Posey 0.00% Issued 9/28/2009 Maturity 10/28/2009	0	20,000	20,000	0	0
Miracit Development Corporation 0.00% Issued 9/28/2009 Maturity 10/28/2009	0	34,000	34,000	0	0
Miracit Development Corporation 0.00% Issued 6/23/2009 Maturity 5/30/2010	125,000	0	125,000	0	0
Miracit Development Corporation 0.00% Issued 6/25/2009 Maturity 12/25/2009	78,000	0	78,000	0	0
	<u>\$203,000</u>	<u>\$54,000</u>	<u>\$257,000</u>	<u>\$0</u>	<u>\$0</u>

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**8. Risk Management**

**A. Insurance Coverage**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2010 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.

**9. 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, 300 East 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*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent 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 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$128,150, \$126,713 and \$126,183, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

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

**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 Web site at [www.strsoh.org](http://www.strsoh.org).

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 STRS 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 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.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$223,506, \$188,504 and \$228,141, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**10. 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 Chapter 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 2009 was \$96.40 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*.

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. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, 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, 2010, 2009, and 2008 were \$4,211, \$37,652 and \$37,494, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**10. Postemployment Benefits (Continued)**

**A. School Employees Retirement System (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,957, \$6,788 and \$6,760, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**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) or by calling (888) 227-7877.

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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,965, \$13,465 and \$16,296, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**11. Fiscal Agent**

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

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

- Work with the Board Treasurer and/or the Business Manager;
- Receipt all Academy funds and make investments;
- Disburse Academy funds upon receipt of a written order and appropriate invoice documentation of designated school official(s);
- Prepare payrolls, maintenance of earnings records and deductions records;
- Prepare state and federal reports and issue w-2's and 1099's as well as prepare Federal Form 990 and other similar IRS filings;
- Record all financial transactions in accordance with state statutes and as prescribed by the Auditor of State;
- Prepare and submit on an accrual basis a monthly financial accounting of all school funds;
- Provide on-line access to the accounting records, for up to 4 designated officials;



**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**11. Fiscal Agent (Continued)**

- Prepare the annual financial statements for submission to the Auditor of State and prepare the annual GAAP conversion;
- Provide reports on services for the Academy administrators to present to the Board and assist the Board Treasurer and/or Business Manager in preparing other financial statements;
- Prepare bi-monthly reports as required by ODE and/or the Academy's sponsor;
- Assist in the preparation of the five-year forecast and ensure the report is submitted in a format approved by ODE;
- Assist the administrators in completing the CCIP budget.

**12. Purchased Services**

For the fiscal year June 30, 2010, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	\$ 403,430		
Communications	8,846		
Pupil Transportation	16,422		
Total Purchased Services	<u>\$ 428,698</u>		

**13. Compensated Absences**

After three months of service, employees begin to accumulate personal/sick time at the rate of 4 hours for each pay period of continuous service. Employees accumulate no more than eighty hours of personal/sick leave time during any 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.

**14. Contingencies**

**A. Grants**

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to an audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

**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 overpaid the Academy \$17,339.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**15. Related Party Transactions**

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

During fiscal year 2010, the Academy reimbursed LFAC \$7,384 for the Academy's portion of operating costs and made \$403,502 in operating lease payments to LFAC as disclosed in Note 6.

During fiscal year 2010, the Academy reimbursed MiraCit Development Corporation \$37,868 for the Academy's portion of operating costs, made \$252,026 in operating lease payments to MiraCit Development Corporation as disclosed in Note 6, and made \$237,000 in note repayments to MiraCit Development Corporation as disclosed in Note 7.

During fiscal year 2010, the Academy received and repaid a note in the amount of \$20,000 from Edgar Posey, the Academy's Executive Director, as disclosed in Note 7.

The Academy entered into a five year sponsorship agreement with the Lucas County Educational Service Center (LCESC) on September 20, 2004, that was extended on June 9, 2007 through May 30, 2010, and again on April 28, 2010 through June 30, 2010, whereby terms of the sponsorship was established. That agreement requires the Academy to pay the sponsor ½% of the per pupil allotment paid to the Academy by the State of Ohio. A total of \$40,959 in sponsorship fees was paid by the Academy to LCESC during fiscal year 2010.

**16. Subsequent Events**

On August 24, 2010, the Academy entered into a promissory note with Living Faith Apostolic Church (LFAC) in the amount of \$25,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on September 1, 2010.

On October 27, 2010, the Academy entered into a promissory note with LFAC in the amount of \$44,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on November 2, 2010.

On November 30, 2010, the Academy entered into a promissory note with LFAC in the amount of \$17,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on December 14, 2010.

On January 25, 2011, the Academy entered into a promissory note with LFAC in the amount of \$20,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on February 15, 2011.

On February 24, 2011, the Academy entered into a promissory note with LFAC in the amount of \$5,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on February 28, 2011.

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2010  
(Continued)**

**17. 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:

- Continue assessment of staffing needs with potential reductions;
- Continue 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 2011 and has a cash balance of \$21,515 as of June 30, 2011.

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**FCI ACADEMY  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b>	Federal		
<i>Pass Through Grantor</i>	CFDA		
Program Title	Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Donation)			
National School Lunch Program	10.555	\$ 5,539	\$ 5,539
Cash Assistance:			
School Breakfast Program	10.553	55,492	55,492
National School Lunch Program	10.555	131,465	131,465
Cash Assistance Subtotal		<u>186,957</u>	<u>186,957</u>
Total Child Nutrition Cluster		<u>192,496</u>	<u>192,496</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>192,496</u></b>	<b><u>192,496</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	200,823	195,557
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	403,923	348,095
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	275,303	246,588
Total Title I, Part A Cluster		<u>679,226</u>	<u>594,683</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	98,206	88,937
ARRA - Special Education Grants to States, Recovery Act	84.391	91,056	82,299
Total Special Education Cluster		<u>189,262</u>	<u>171,236</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	4,679	6,392
Education Technology State Grants	84.318	8,182	2,009
State Grants for Innovative Programs	84.298	-	806
Improving Teacher Quality State Grants	84.367	13,841	16,160
<b>Total U.S. Department of Education</b>		<b><u>1,096,013</u></b>	<b><u>986,843</u></b>
<b>Total</b>		<b><u>\$ 1,288,509</u></b>	<b><u>\$ 1,179,339</u></b>

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

**FCI ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

To the Board of Directors:

We have audited the financial statements of the FCI Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated June 30, 2011, wherein we noted the Academy has suffered recurring losses from operations and has a net asset deficiency. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings and questioned costs to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated June 30, 2011.

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

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



**Dave Yost**  
Auditor of State

June 30, 2011





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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, Ohio 43219

To the Board of Directors:

### Compliance

We have audited the compliance of the FCI Academy, Franklin County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect FCI Academy's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

As described in findings 2010-004 and 2010-005 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding allowable costs/cost principles and activities allowed or unallowed applicable to its Title I major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, FCI Academy, Franklin County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion 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.

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 significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-004 and 2010-005 to be material weaknesses.

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

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



**Dave Yost**  
Auditor of State

June 30, 2011

FCI ACADEMY  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Title I, Part A Cluster</u> CFDA # 84.010 – Title I Grants to Local Educational Agencies CFDA #84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2010-001</b>
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**Finding for Recovery Repaid Under Audit – Improper Payment**

In September 2009, the Academy purchased a furnace in the amount of \$4,975 for a rental property owned by MiraCit Development Corporation. Section 6.1 of the lease agreement between the Academy and MiraCit states in part “MiraCit shall be responsible for the repair or replacement of the foundation, lateral support, roof, walls, floors, gutters, downspouts, heating and cooling systems, plumbing systems, and all structural and exterior portions of the Building...”

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against MiraCit Development Corporation in the amount of \$4,975 and in favor of FCI Academy’s General Fund.

We recommend the Academy develop and implement procedures over expenditures to ensure payments are not made in violation of contractual provisions.

On August 15, 2011, Miracit Development Corporation repaid \$4,975 to the Academy’s General Fund.

**Officials’ Response:**

MiraCit Development Corporation did repay the \$4,975 to FCI Academy on August 15, 2011. FCI Academy emailed documents to the auditor that verified that these payments were made.

FCI Academy’s business officials will review all lease obligations to ensure that all payments made to vendors are in line with the provisions stated in the lease agreements.

FCI Academy has also modified the lease agreements and had them ratified by the Board stating that from July 1, 2009 forward the Academy will be responsible for all building and equipment maintenance, improvements, and repairs for the buildings leased.

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2010-002</b>
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**Finding for Recovery Repaid Under Audit – Duplicate Payment**

In September 2009, the Academy purchased a furnace in the amount of \$4,975 for property rented from MiraCit Development Corporation. Subsequently in January 2010, MiraCit billed and received payment from the Academy in the amount of \$4,975 for the furnace, resulting in the Academy making a duplicate payment for the furnace.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against MiraCit Development Corporation in the amount of \$4,975 and in favor of FCI Academy's General Fund.

We recommend the Academy develop and implement procedures over expenditures to avoid duplicate payments in the future.

On April 20, 2011, Miracit Development Corporation repaid \$4,975 to the Academy's General Fund.

**Officials' Response:**

The Academy's business staff will review all proposed expenditures to ensure that duplicate payments are not made for invoices rendered.

<b>Finding Number</b>	<b>2010-003</b>
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**Material Weakness – Internal Controls Over Purchasing and Financial Reporting**

The internal control process over purchasing goods or services should ensure that each transaction is authorized by a knowledgeable employee who can ensure expenditures are properly documented, recorded, are consistent with management's objectives and in compliance with any applicable laws, regulations, grant agreements, or contract provisions.

The internal control process over purchasing goods or services should ensure that each transaction is authorized by a knowledgeable employee who can ensure expenditures are properly documented, recorded, are consistent with management's objectives and in compliance with any applicable laws, regulations, grant agreements, or contract provisions.

The Academy's internal control procedures over the authorization of expenditures did not identify a payment made in violation of an approved lease agreement (see Finding 2010-001), nor did it identify a duplicate payment made during fiscal year 2010 (see Finding 2010-002). Furthermore, the Academy lacks proper internal controls over federal grant purchases to ensure compliance with the Academy's federal program requirements (see Finding 2010-005).

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2010-003</b>
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**Material Weakness – Internal Controls Over Purchasing and Financial Reporting (Continued)**

Additionally, sound financial reporting is the responsibility of the Academy’s management and officials and is essential to ensure the information provided to the readers of the financial statements is complete, accurate, and in accordance with GAAP/GASB standards. The notes to the financial statements prepared by the Academy’s Treasurer required multiple corrections and excluded required note disclosures (see GASB Cod. 2400.106). Note disclosures which were excluded include changes in accounting principles and details of the Academy’s debt activity. Note disclosures which required significant modifications include information regarding operating leases, defined benefit pension plan and postemployment benefits, fiscal agent services, school funding contingency, and related party activity. Furthermore, the Statement of Cash Flows prepared by the Academy’s Treasurer required multiple corrections.

We recommend the Academy re-evaluate its internal control process over purchases to ensure employees knowledgeable of the Academy’s operations are providing prior approval of all expenditures to ensure payments are consistent with management’s objectives, are for a proper public purpose, and are in compliance with any applicable laws, regulations, grant agreements, or contract provisions.

We also recommend the Academy develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the accounting records accurately reflect the activity of the Academy and thereby increasing the reliability of the financial data throughout the year. We also recommend the Academy implement additional procedures over the completeness and accuracy of financial information reported within the Academy’s annual report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions. The Academy should ensure the person responsible for these reviews has an understanding of the reporting standards and provide the necessary training where necessary in order to enhance the reporting of the Academy’s financial activity. Furthermore, the corrections made to the Academy’s notes to the financial statements and Statement of Cash Flows should be reviewed by the person responsible for the reviews to ensure that similar errors are not reported on financial statements in subsequent years.

**Officials’ Response:**

FCI Academy will take the Auditor’s recommendation and develop policies and procedures to improve our controls over recording financial transactions and financial reporting. We plan to review all financial activity on a quarterly basis and make any necessary corrections to the data to increase data integrity. The Business Manager will work with the Treasurer to cooperatively implement these procedures to ensure that accurate data is feeding into the financial statements as well.

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

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

<b>Finding Number</b>	2010-004
<b>CFDA Title and Number</b>	<u>Title I, Part A Cluster:</u> Title I Grants to Local Educational Agencies – CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act – CFDA #84.389 <u>Special Education Cluster:</u> Special Education Grants to States – CFDA #84.027 ARRA – Special Education Grants to States, Recovery Act – CFDA #84.391 Improving Teacher Quality State Grants – CFDA #84.367 Safe and Drug-Free Schools and Communities State Grants – CFDA #84.186
<b>Federal Award Number / Year</b>	2009/2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Costs/Material Weakness – Allowable Costs/Cost Principles  
Support for Federal Wages and Benefits**

2 C.F.R. Part 225, Attachment B, Section 8(h)(3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salary and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Furthermore, Section 8(h)(4) provides that;

...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix...Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

The Academy does not certify wages for time spent on a single Federal award nor does it require personnel activity reports or equivalent documentation for wages of employees paid from categories (a)-(e) noted above. The table below illustrates the amount of payroll and related fringe benefits paid from each federal program lacking the semi-annual certifications and documentation for time charged to the program.

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Questioned Costs/Material Weakness – Allowable Costs/Cost Principles  
Support for Federal Wages and Benefits (Continued)**

<b>Federal Program</b>	<b>Total Payroll and Fringe Benefits Charged to Program</b>
CFDA #84.010 – Title I Grants to Local Educational Agencies	\$ 219,955
CFDA #84.389 – ARRA - Title I Grants to Local Educational Agencies, Recovery Act	211,027
CFDA #84.027 – Special Education Grants to States	79,157
CFDA #84.391 – ARRA - Special Education Grants to States, Recovery Act	70,437
CFDA #84.367 – Improving Teacher Quality State Grants	16,160
CFDA #84.186 – Safe and Drug-Free Schools and Communities State Grants	6,392
<b>Total</b>	<b>\$ 603,128</b>

This resulted in questioned costs totaling \$603,128 for payroll and related fringe benefit expenditures that lacked semi-annual certifications and documentation for the time charged to federal programs for fiscal year 2010.

The Academy should establish specific procedures by which each employee working on multiple activities or multiple federal programs will complete time and effort logs on a timely basis. The time and effort logs should be an “after the fact” representation of the hours worked. Therefore, these should be completed in a reasonable short time after the end of the period the log is meant to cover. All time and effort logs should include full disclosure of the facts and should include credible signatures.

To avoid the potential loss of, or decrease of federal funding, we recommend that the Academy perform semi-annual certification of wages for employees working on a single Federal award, and require personnel activity reports or equivalent documentation which meets the standards set forth in 2. C.F.R. Part 225, Appendix B, Section 8 (h) (5) for employees paid from categories (a)-(e) noted above.

**Officials’ Response and Corrective Action Plan:**

FCI Academy followed all of the appropriate procedures regarding the certification of wages for time spent on a single Federal award with the exception of one item. The required documents were prepared and appropriately signed by the Title I coordinator and the teachers for the periods of August 2009 thru January 2010 and January 2010 thru August 2010. The procedure that was deemed non-compliant was the date signed by the staff which did not represent an “after the fact” representation. To resolve this for future certifications, FCI Academy will have all certifications for time spent on a Federal award, signed and dated after the certification period has been completed and the signature date will reflect this.



**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2010-005
<b>CFDA Title and Number</b>	Title I, Part A Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act – CFDA #84.389
<b>Federal Award Number / Year</b>	2009/2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Noncompliance/Material Weakness – Expenditure Authorization – Allowable Costs/Cost Principles, Activities Allowed or Unallowed, and Period of Availability**

OMB Circular A-87, Attachment B, Section 1 “Advertising and Public Relations Costs”, letter “c” indicates the only allowable advertising costs are those which are solely for:

- (1) The recruitment of personnel required for the performance by the governmental unit of obligations arising under a Federal award.
- (2) The procurement of goods and services for the performance of a Federal award.
- (3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when governmental units are reimbursed for disposal costs at a predetermined amount.
- (4) Other specific purposes necessary to meet the requirements of the Federal award.

Additionally, OMB Circular A-87, Attachment B, Section 14 “Entertainment” states that costs of entertainment, including amusement, diversion, social activities, and any costs directly associated with such costs are unallowable.

In fiscal year 2010, the Academy paid for a Friends and Family Day, during which students in attendance were tested in the areas of math and reading to determine eligibility for the Title I program. As an incentive for parents to bring their students to the event, the Academy paid \$1,550 for performances, entertainers, and public address systems, and \$1,350 for free haircuts for parents and children in attendance. These expenditures were determined to be unallowable entertainment expenditures as defined by Section 14, “Entertainment,” of OMB Circular A-87, Attachment B. In addition the Academy spent \$1,625 for radio and billboard advertising that was not specific to the Title I program. These expenditures do not fall under items one through four listed under Section 1, “Advertising and Public Relations Costs.” If such expenditures aggregated to more than \$10,000, they would be reported as questioned costs and would be subject to repayment if requested by the Academy’s pass-through entity (Ohio Department of Education).

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Material Noncompliance/Material Weakness – Expenditure Authorization – Allowable Costs/Cost Principles, Activities Allowed or Unallowed, and Period of Availability (Continued)**

The Academy's internal control procedures over grant expenditures consist of the Executive Director manually signing each purchase order to authorize the expenditure and the Business Manager manually signing each purchase order upon receipt of the vendor invoice to verify goods were received or services were performed. The Academy relies on an outside consulting firm to ensure expenditures are in compliance with applicable federal grant requirements; however, this firm reviews summary level data provided by the Academy and does not approve or review individual grant expenditures for allowability under the applicable federal grant.

In order to reduce the risk of future non-compliance or questioned costs, we recommend the Academy's parties responsible with authorizing federal expenditures become familiar with the allowable costs related to its federal programs and closely monitor the posting of individual expenditures to ensure only allowable costs are being paid for, and reimbursed with, federal funds. The Academy should consider establishing a policy requiring individuals responsible for authorizing and/or monitoring federal expenditures attend formal trainings for grant compliance and ensure that employees knowledgeable of the grant, such as grant coordinators, are involved in the authorization of grant purchases.

**Officials' Response and Corrective Action Plan:**

FCI Academy will more closely monitor all purchase orders to ensure that the proper authorization, by way of signatures, is present on all of said documents. We will ensure that several check points are instituted so that no authorization is missed on any purchase order. Going forward, we will develop procedures to allow for an alternate authorizer in the absence of the Executive Director.

The Business officials at FCI Academy will also, by the suggestion of the Auditor's office, become more familiar with allowable costs related to federal programs so that only allowable costs are reimbursed and paid for. We will look for training opportunities to help facilitate this. We will also discuss and arrange for Mangen and Associates to become more involved with the review of transactions on more of an individual level.

**FCI ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Finding for Recovery Repaid Under Audit – Improper Payment for Legal Services	Yes	

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# Dave Yost • Auditor of State

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

FCI Academy  
Franklin County  
2177 Mock Road  
Columbus, Ohio 43219

To the Board of Directors:

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

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

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

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

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

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



**Dave Yost**  
Auditor of State

June 30, 2011



# 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  
SEPTEMBER 6, 2011**