



Dave Yost • Auditor of State

**FCI ACADEMY
FRANKLIN COUNTY**

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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, 2011, 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, 2011, 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 May 8, 2012, 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

May 8, 2012

**FCI ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2011
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, 2011. 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 \$5,071
- Total Liabilities were \$259,291
- Change in Net Assets was (\$50,245)

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during fiscal year 2011?" 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, 2011
UNAUDITED
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal years 2011 and 2010.

Table 1 - Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Current Assets	\$ 0	\$ 87,394	\$ (87,394)
Capital Assets, Net	<u>5,071</u>	<u>39,964</u>	<u>(34,893)</u>
 Total Assets	 <u>5,071</u>	 <u>127,358</u>	 <u>(122,287)</u>
 Liabilities			
Current liabilities	<u>259,291</u>	<u>331,333</u>	<u>(72,042)</u>
 Total Liabilities	 <u>259,291</u>	 <u>331,333</u>	 <u>(72,042)</u>
 Net Assets			
Invested in Capital Assets	5,071	39,964	(34,893)
Unrestricted (Deficit)	<u>(259,291)</u>	<u>(243,939)</u>	<u>(15,352)</u>
Total Net Assets (Deficit)	\$ <u><u>(254,220)</u></u>	\$ <u><u>(203,975)</u></u>	\$ <u><u>(50,245)</u></u>

Total assets decreased \$122,287 largely as a result of a decrease in cash balances and depreciation on capital assets. Current liabilities decreased \$72,042 as a result of a decrease in accrued wages payable.

**FCI ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2011
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 2010.

Table 2
Change in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Operating Revenues			
State Foundation	\$ 2,662,023	\$ 3,013,569	\$ (351,546)
Poverty Based Assistance	70,747	104,790	(34,043)
Other Operating	<u>27,182</u>	<u>31,328</u>	<u>(4,146)</u>
Total Operating Revenues	<u>2,759,952</u>	<u>3,149,687</u>	<u>(389,735)</u>
Non-Operating Revenues			
Federal and State Grants	<u>786,963</u>	<u>1,104,869</u>	<u>(317,906)</u>
Total Non-Operating Revenues	<u>786,963</u>	<u>1,104,869</u>	<u>(317,906)</u>
Total Revenues	<u>3,546,915</u>	<u>4,254,556</u>	<u>(707,641)</u>
Operating Expenses			
Salaries	1,944,649	1,997,330	(52,680)
Fringe Benefits	497,435	658,002	(160,567)
Purchased Services	313,051	428,698	(115,650)
Rent	668,502	709,771	(41,269)
Materials & Supplies	138,630	170,659	(32,027)
Depreciation	<u>34,893</u>	<u>34,893</u>	<u>0</u>
Total Expenses	<u>3,597,160</u>	<u>3,999,353</u>	<u>(402,193)</u>
Change in Net Assets	(50,245)	255,203	(305,448)
Net Assets (Deficit) at Beginning of Year	<u>(203,975)</u>	<u>(459,178)</u>	<u>255,203</u>
Net Assets (Deficit) at End of Year	\$ <u>(254,220)</u>	\$ <u>(203,975)</u>	\$ <u>(50,245)</u>

Total foundation revenue was down by \$351,546 due to a 7% decline in enrollment to 418 students. The Academy's management compensated for the revenue decline by reducing total expenses by \$402,193 for the year. The Academy had a net loss of (\$50,245) for the year.

**FCI ACADEMY
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2011
UNAUDITED
(Continued)**

Debt

The Academy had no outstanding debt at June 30, 2011.

Capital Assets

At the end of fiscal year June 30, 2011, the Academy had \$5,071 (net of \$192,017 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, 2011, there were approximately 418 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil funding for this fiscal year amounted to \$5,565 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.

**FCI ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

Assets

Non-Current Assets	
Depreciable Capital Assets, Net	<u>\$ 5,071</u>
Total Noncurrent Assets	<u>5,071</u>
Total Assets	<u>5,071</u>

Liabilities

Current liabilities:	
Accounts Payable	50,517
Accrued Wages Payable	201,872
Cash Overdraft	<u>6,902</u>
Total Current Liabilities	<u>259,291</u>
Total Liabilities	<u>259,291</u>

Net Assets

Invested in Capital Assets	5,071
Unrestricted	<u>(259,291)</u>
Total Net Assets	<u><u>\$ (254,220)</u></u>

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, 2011**

Operating Revenues:	
State Foundation	\$ 2,662,023
Poverty Based Assistance	70,747
Other	<u>27,182</u>
<i>Total Operating Revenues</i>	2,759,952
Operating Expenses:	
Salaries	1,944,649
Fringe Benefits	497,435
Purchased Services	313,051
Rent	668,502
Materials & Supplies	138,630
Depreciation	<u>34,893</u>
<i>Total Operating Expenses</i>	3,597,160
<i>Operating Loss</i>	(837,208)
Non-Operating Revenues:	
Federal and State Grants	<u>786,963</u>
<i>Change in Net Assets</i>	(50,245)
<i>Beginning Net Assets (Deficit)</i>	<u>(203,975)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>\$ (254,220)</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, 2011**

Cash Flows from Operating Activities

Cash Received from the State of Ohio	\$ 2,732,767
Cash Received from Other Operating Sources	27,182
Cash Payments to Suppliers for Goods and Services	(1,199,123)
Cash Payments to Employees for Services	(1,944,650)
Cash Payments for Employee Benefits	<u>(497,435)</u>
Net Cash Used for Operating Activities	<u>(881,259)</u>

Cash Flows from Noncapital Financing Activities:

Proceeds from Cash Overdraft	6,902
Cash Received from Operating Grants-Federal	775,112
Cash Received from Operating Grants-State	11,851
Cash Proceeds from Notes	111,000
Cash Payments for Principal	<u>(111,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>793,865</u>

Net (Decrease) in Cash and Cash Equivalents	(87,394)
Cash and Cash Equivalents at Beginning of Year	<u>87,394</u>

Cash and Cash Equivalents at End of Year	<u><u>-</u></u>
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Reconciliation of Operating Loss to
Net Cash Used for Operating Activities:

Operating Loss	(837,208)
Adjustments to Reconcile Operating Loss to Net Cash Ued for Operating Activities:	
Depreciation	34,893
Change in Liabilities:	
Increase in Accounts Payable	50,043
Decrease in Accrued Wages Payable	<u>(128,987)</u>
Total Adjustments	<u>(44,051)</u>
Net Cash Used for Operating Activities	<u>\$ (881,259)</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, 2011**

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, 2011. 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 31 non-certificated and 31 certificated full time teaching personnel who provide services to 418 students.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Measurement Focus

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

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(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, 2011
(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 operating revenues in the accounting period in which all eligibility requirements are met.

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

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

G. Capital Assets

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

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

Leasehold improvements	5-15 years
Equipment	5 years

H. Net Assets

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

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

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(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. Change in Accounting Principle

For fiscal year 2011, the Academy has implemented GASB Statement No. 59, "Financial Instruments Omnibus". GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

4. Deposits

At fiscal year end June 30, 2011, the carrying amount of the Academy's deposits was a deficit of (\$6,902) and the bank balance was \$26,036. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2011, all of the Academy's bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

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

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

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(Continued)**

5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 06/30/10	Additions	Deductions	Balance 06/30/11
Capital Assets:				
Equipment	\$ 149,401	\$ -	\$ -	\$ 149,401
Leasehold Improvements	47,687	-	-	47,687
Total Capital Assets	197,088	-	-	197,088
Less Accumulated Depreciation:				
Equipment	(117,719)	(28,947)	-	(146,666)
Leasehold Improvements	(39,405)	(5,946)	-	(45,351)
Total Accumulated Depreciation	(157,124)	(34,893)	-	(192,017)
Capital Assets, Net	<u>\$ 39,964</u>	<u>\$ (34,893)</u>	<u>\$ -</u>	<u>\$ 5,071</u>

6. Operating Leases

The Academy has an operating lease for the period of July 1, 2010 through June 30, 2011 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 \$34,325 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 \$350,620 were made during fiscal year 2011. 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, 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 rate share of the annual operating costs and overhead of the building. Payments in the amount of \$235,172 were made during fiscal year 2011. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(Continued)**

7. Debt

Debt activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 06/30/10	Issued	Redeemed	Balance 06/30/11	Due Within One Year
Related Party Notes Payable:					
Living Faith Apostolic Church 0.00% Issued 8/24/2010 Maturity 9/1/2010	0	25,000	25,000	0	0
Living Faith Apostolic Church 0.00% Issued 10/27/2010 Maturity 11/2/2010	0	44,000	44,000	0	0
Living Faith Apostolic Church 0.00% Issued 11/30/2010 Maturity 12/13/10	0	17,000	17,000	0	0
Living Faith Apostolic Church 0.00% Issued 1/25/2011 Maturity 2/14/2011	0	20,000	20,000	0	0
Living Faith Apostolic Church 0.00% Issued 2/24/2011 Maturity 2/28/2011	0	5,000	5,000	0	0
	<u>\$0</u>	<u>\$111,000</u>	<u>\$111,000</u>	<u>\$0</u>	<u>\$0</u>

8. Risk Management

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the fiscal year ending June 30, 2011 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

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(Continued)**

8. Risk Management (Continued)

A. Insurance Coverage (Continued)

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, under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 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, 2011, 2010 and 2009 were \$100,116, \$128,150 and \$126,713, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(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 website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by 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 2011, 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, 2011, 2010 and 2009 were \$173,718, \$223,506 and \$188,504, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(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 Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 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, under "Media/Financial Reports".

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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$10,226, \$4,211 and \$37,652, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(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 2011, 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, 2011, 2010, and 2009 were \$5,435, \$6,957 and \$6,788, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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, under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$12,408, \$15,965, and \$13,465, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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, 2011
(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, 2011, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	\$ 279,006
Communications	33,667
Pupil Transportation	<u>378</u>
Total Purchased Services	<u><u>\$ 313,051</u></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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(Continued)**

14. Contingencies (Continued)

B. School Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education underpaid the Academy \$26,476.

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 2011, the Academy reimbursed LFAC \$1,568 for the Academy's portion of operating costs and made \$350,620 in operating lease payments to LFAC as disclosed in Note 6, and made \$111,000 in note repayments to LFAC as disclosed in Note 7.

During fiscal year 2011, the Academy reimbursed MiraCit Development Corporation \$7,577 for the Academy's portion of operating costs, made \$235,172 in operating lease payments to MiraCit Development Corporation as disclosed in Note 6.

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, 2011, 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 \$37,621 in sponsorship fees was paid by the Academy to LCESC during fiscal year 2011.

16. Subsequent Events

On August 23, 2011, 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 13, 2011.

On August 26, 2011, the Academy entered into a promissory note with LFAC in the amount of \$3,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on August 30, 2011.

On September 27, 2011, the Academy entered into a promissory note with LFAC in the amount of \$15,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on October 17, 2011.

On October 26, 2011, the Academy entered into a promissory note with LFAC in the amount of \$60,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on November 9, 2011.

On March 29, 2012, the Academy entered into a promissory note with LFAC in the amount of \$30,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on April 10, 2012.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR JUNE 30, 2011
(Continued)**

16. Subsequent Events (Continued)

On April 27, 2012, the Academy entered into a promissory note with LFAC in the amount of \$25,000 to cover certain Academy operating expenses. The note carried a 0% interest rate and was repaid on May 1, 2012.

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:

- Continued assessment of staffing needs with potential reductions;
- Continued reduction in costs by eliminating non-essential discretionary expenditures and through vendor negotiations to achieve better rates;
- Applying for E-rate approval to reduce communications costs;
- Seeking other private funding sources to supplement the operating budget;
- Seeking other federal grants through the CCIP and ODE to support academic activities;
- Utilizing short term notes to fund cash flow.

Management will re-evaluate the Academy's financial position on a bi-monthly basis and report to the governing board to determine the effectiveness of these strategies. The Academy has passed a balanced budget for fiscal year 2012.

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**FCI ACADEMY
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR	Federal		
<i>Pass Through Grantor</i>	CFDA		
Program Title	Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Donation)			
National School Lunch Program	10.555	\$ 1,828	\$ 1,828
Cash Assistance:			
School Breakfast Program	10.553	44,448	44,448
National School Lunch Program	10.555	135,584	135,584
Cash Assistance Subtotal		<u>180,032</u>	<u>180,032</u>
Total Child Nutrition Cluster		<u>181,860</u>	<u>181,860</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	2,389	2,389
Total U.S. Department of Agriculture		<u>184,249</u>	<u>184,249</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	220,065	225,331
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	299,576	346,524
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	47,530	75,699
Total Title I, Part A Cluster		<u>347,106</u>	<u>422,223</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	102,812	144,838
ARRA - Special Education Grants to States, Recovery Act	84.391	1,443	10,200
Total Special Education Cluster		<u>104,255</u>	<u>155,038</u>
Education Technology State Grants	84.318	30,451	49,562
Improving Teacher Quality State Grants	84.367	2,227	-
Education Jobs Fund	84.410	86,155	86,155
ARRA- State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	11,787	19,868
Total U.S. Department of Education		<u>802,046</u>	<u>958,177</u>
Total		<u>\$ 986,295</u>	<u>\$ 1,142,426</u>

The accompanying notes are an integral part of this schedule.

**FCI ACADEMY
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures 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 basic financial statements of the FCI Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2011, and have issued our report thereon dated May 8, 2012, 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 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 2011-001 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 8, 2012.

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.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

May 8, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 each of FCI Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

As described in finding 2011-003 in the accompanying schedule of findings, the Academy did not comply with the requirement regarding Special Tests and Provisions – Separate Accountability for ARRA Funding applicable to its State Fiscal Stabilization Fund major federal program. Compliance with this requirement 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 each of its major federal programs for the year ended June 30, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as finding 2011-004.

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 as items 2011-002 and 2011-003 to be material weaknesses.

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

We also noted matters involving federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated May 8, 2012.

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. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

May 8, 2012

**FCI ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(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)?	No
(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 – SFSF Unqualified – Title 1, Part A Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	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 ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**FCI ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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

Finding Number	2011-001
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Material Weakness – Internal Controls Over Financial Reporting

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 details of the Academy’s debt activity and subsequent events. Note disclosures which required significant modifications include changes in accounting principles, information regarding capital asset activity, defined benefit pension plan and postemployment benefits, purchased services expenditures detail, and related party activity. Furthermore, the Statement of Cash Flows prepared by the Academy’s Treasurer required multiple corrections.

We recommend the Academy implement internal control procedures over financial reporting to help ensure 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 recommendations and implement internal control procedures to ensure accuracy and completeness of our annual report. We will also implement the procedure of comparing previous years’ reports with the current year report in order to eliminate errors and omissions. The Treasurer will seek out training opportunities that will enhance the reporting of financial activity. The notes to the financial statements and Statement of Cash Flows will be reviewed by the Treasurer in effort to eliminate errors that occurred in previous years.

**FCI ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-002
CFDA Title and Number	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
Federal Award Number / Year	2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

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

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.

Lack of proper purchase authorization may result in the purchase of improper goods or services that are not in compliance with laws, regulations, and grant agreements.

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:

Effective June 13, 2012, the Business Officials, i.e. Treasurer and Director of Operations, at FCI Academy will become more familiar with allowable costs related to federal programs so that only these costs are expensed against the federal funds received. We will also look for training opportunities for said Business Officials to facilitate this. We will discuss and arrange for Mangen and Associates to become more involved with the review of transactions on an individual level.

**FCI ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-003
CFDA Title and Number	ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
Federal Award Number / Year	2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Non-Compliance/Material Weakness – Special Tests and Provisions – Separate Accountability for ARRA Funding

2 C.F.R. Part 176.210(a) states that to maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds.

During fiscal year 2011, the Academy did not maintain appropriate records to separately identify State Fiscal Stabilization Funds (SFSF) receipts and expenditures. These Recovery Act funds were commingled in the Academy’s General fund. After fiscal year end, audit staff had to request the Academy’s management to identify SFSF expenditures in order to complete federal single audit testing over this program. This delayed issuance of the audit report and as noted in Finding 2011-004, the Academy did not meet the federal single audit filing requirement.

We recommend the Academy implement internal control procedures to ensure receipts and disbursements for each federal program are accounted for separately during the year. This will allow for regular monitoring of compliance with individual federal grant program requirements.

Officials’ Response and Corrective Action Plan:

As of June 13, 2012, FCI Academy has fully expended all funds related to SFSF; however, in future years when funds are allocated for any federal program the Treasurer will ensure that receipts and disbursements are classified and accounted for separately during the year.

**FCI ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)	
Finding Number	2011-004
CFDA Title and Number	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 ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
Federal Award Number / Year	2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Non-Compliance – Timely Filing of A-133 Reporting Package

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .200(b) provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as “auditees”. Section .300(a) states, an auditee shall “Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.”

Section .300(e) further states, an auditee shall “Ensure that the audits required by this part are properly performed and submitted when due.” Section .320(a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Academy expended in excess of \$500,000 in federal awards during the fiscal year ended June 30, 2011; however, the Academy did not account for its State Fiscal Stabilization Fund (SFSF) grant separately (see Finding 2011-003) and was not able to identify fiscal year SFSF grant expenditures until February 2012. This delayed completion of the single audit and the A-133 reporting package was not submitted within the time period specified by OMB Circular A-133 Section .320a.

We recommend the Academy develop procedures to ensure single audits are conducted timely for any fiscal year in which the \$500,000 expenditure threshold is exceeded and the filing deadline is met each year for the submission of the A-133 reporting package.

Officials’ Response and Corrective Action Plan:

Effective June 13, 2012, the FCI Academy Treasurer will ensure the filing deadline is met for the submission of the A-133 reporting package. The Academy will develop policies and procedure to improve our controls over recording financial transactions and reporting. We plan to review all financial activity on a quarterly basis and make any necessary corrections to the data to increase data integrity. We believe that these modifications should assist with the timeliness and accuracy of all future audits.

**FCI ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery Repaid Under Audit – Improper Payment	Yes	
2010-002	Finding for Recovery Repaid Under Audit – Duplicate Payment	Yes	
2010-003	Material Weakness – Internal Controls Over Purchasing and Financial Reporting	No	Partially Corrected. Similar comment is being repeated in current audit as Finding 2011-001.
2010-004	Questioned Costs/Material Weakness – Allowable Costs/Cost Principles – Support for Federal Wages and Benefits	Yes	
2010-005	Material Noncompliance/Material Weakness – Expenditure Authorization – Allowable Costs/Cost Principles, Activities Allowed or Unallowed, and Period of Availability	No	Partially Corrected. Similar comment is being repeated in current audit as Finding 2011-002.



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 procedure enumerated below, which was 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. In our report dated June 30, 2011, we noted the Board adopted an anti-harassment policy on September 23, 2009. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the September 23, 2009 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
 - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as amended by House Bill 19 of the 128th General Assembly;
 - (2) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (4) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 8, 2012



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
JUNE 26, 2012**