FCI ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

FCI ACADEMY
FRANKLIN COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board of Directors:

We have audited the accompanying basic financial statements of the FCI Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2008, 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, 2008, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, the Academy has suffered recurring losses from operations and has a net asset deficiency. Note 18 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 July 31, 2009, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The federal awards receipts and expenditures schedule is required by the U.S. Office of Budget and Management Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2008
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, 2008. 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 $161,194
- Total Liabilities were $572,470
- Change in Net Assets was ($297,478)

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 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years 2007 and 2008.

Table 1 Net Assets

	2007 (Restated)	2008	Change
Assets			
Current Assets	$ 421,788	$ 53,616	$ (368,172)
Capital Assets, Net	105,802	107,578	1,776
Total Assets	527,590	161,194	(366,396)
Liabilities			
Current liabilities	641,388	572,470	(68,918)
Total Liabilities	641,388	572,470	(68,918)
Net Assets			
Invested in Capital Assets	105,802	107,578	1,776
Restricted	342,086	0	(342,086)
Unrestricted (Deficit)	(561,686)	(518,854)	42,832
Total Net Assets (Deficit)	$ (113,798)	$ (411,276)	$ (297,478)

Current assets decreased due to the receipt of fiscal year 2007 intergovernmental receivables totaling $364,217. These funds were used to address outstanding payables. During the current fiscal year, the Academy made an adjustment to its capital assets, applying the capitalization standards approved by the Board of Directors. This resulted in a $744,482 adjustment to beginning net assets.

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 2007.

Table 2
Change in Net Assets

	2007 (Restated)	2008	Change
Operating Revenues			
State Foundation	$ 3,876,968	$ 3,747,559	$ (129,409)
Poverty Based Assistance	0	138,318	138,318
Food Service	31,816	0	(31,816)
Other Operating	27,993	0	(27,993)
Total Operating Revenues	3,936,777	3,885,877	(50,900)
Non-Operating Revenues			
Federal and State Grants	931,814	709,525	(222,289)
Contributions & Donations and Other	19,144	49,396	30,252
Interest and Fiscal Expense	(6,992)	0	6,992
Total Non-Operating Revenues	943,966	758,921	(185,045)
Total Revenues	4,880,743	4,644,798	(235,945)
Operating Expenses			
Salaries	2,248,616	2,628,230	379,614
Fringe Benefits	477,627	781,894	304,267
Purchased Services	1,742,713	1,125,127	(617,586)
Materials & Supplies	396,232	371,206	(25,026)
Depreciation	170,376	35,819	(134,557)
Other Operating Expenses	47,664	0	(47,664)
Total Expenses	5,083,228	4,942,276	(140,952)
Change in Net Assets	(202,485)	(297,478)	(94,993)
Net Assets (Deficit) at Beginning of Year	88,687	(113,798)	(202,485)
Net Assets (Deficit) at End of Year	$ (113,798)	$ (411,276)	$ (297,478)

Total operating revenue was down by $50,900. The school experienced a 5% reduction in student enrollment (620 to 591 students) from fiscal year 2007 to fiscal 2008. The loss in enrollment was almost offset by an increase in per capita dollars awarded by the State of Ohio. Overall expenses decreased by $140,952, although increases occurred in payroll and related expenses. The school made a commitment to continue to invest in this area in order to raise teacher quality and address academic concerns.

Debt

At June 30, 2008 the Academy had $64,938 in notes payable, all of which is due within one year. These notes were entered into to cover operating costs of the Academy.

Debt Activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/2007	Issued	Redeemed	Balance 06/30/2008	Due Within One Year
Miracit Development Corporation 7.00% Issued 6/01/07 Maturity 8/01/08	$145,366	$0	$120,428	$24,938	$24,938
Miracit Development Corporation 0.00% Issued 11/1/2007 Maturity 11/30/2007	0	23,343	23,343	0	0
Miracit Development Corporation 0.00% Issued 11/1/2007 Maturity 11/30/2007	0	23,000	23,000	0	0
Miracit Development Corporation 0.00% Issued 4/28/2008 Maturity 5/28/2008	0	62,000	62,000	0	0
Miracit Development Corporation 0.00% Issued 2/27/2008 Maturity 8/30/2008	0	62,000	22,000	40,000	40,000
	$145,366	$170,343	$250,771	$64,938	$64,938

Capital Assets

At the end of fiscal year June 30, 2007, the Academy had $850,284 (net of $189,041 in accumulated depreciation) shown as capital assets. For the current fiscal year, FCI decided to implement the capitalization policies 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. The application of this policy resulted in a restatement (a reduction) in capital assets of $744,482.

Table 3
Capital Assets at June 30

	2007 (Restated)	2008
Furniture & Equipment	$119,408	$144,063
Leasehold Improvements	34,747	47,687
Totals	154,155	191,750
Less: Accumulated Depreciation	(48,353)	(84,172)
Net Capital Assets	$105,802	$107,578

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

Current Financial Issues

During the fiscal year ended June 30, 2008, there were approximately 591 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. During this fiscal year, Carl W. Shye Jr. replaced the Lucas County Educational Service Center as the Academy's fiscal agent.

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 Ms. Sharon Francis, Business Manager, 2177 Mock Road, Columbus, Ohio or email at safrancis@miracit.org.

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FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 53,616
Total Current Assets	53,616
Non-Current Assets	
Depreciable Capital Assets, Net	107,578
Total Noncurrent Assets	107,578
Total Assets	161,194
Liabilities	
Current liabilities:	
Accounts Payable	49,126
Accrued Wages and Benefits Payable	328,727
Related Party Notes Payable	64,938
Intergovernmental Payable	129,679
Total Current Liabilities	572,470
Total Liabilities	572,470
Net Assets	
Invested in Capital Assets	107,578
Unrestricted	(518,854)
Total Net Assets	$ (411,276)

See the accompanying notes to the financial statements

FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues:	
State Foundation	$ 3,747,559
Poverty Based Assistance	138,318
Total Operating Revenues	3,885,877
Operating Expenses:	
Salaries	2,628,230
Fringe Benefits	781,894
Purchased Services	524,635
Rent	600,492
Materials & Supplies	371,206
Depreciation	35,819
Total Operating Expenses	4,942,276
Operating Loss	(1,056,399)
Non-Operating Revenues:	
Federal and State Grants	709,525
Other	49,396
Total Non-Operating Revenues	758,921
Change in Net Assets	(297,478)
Beginning Net Assets (Restated - See Note 4)	(113,798)
Net Assets at End of Year	$ (411,276)

See the accompanying notes to the financial statements

FCI ACADEMY
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities	
Cash Received from the State of Ohio	$ 3,885,877
Cash Received from Food Service	9,572
Cassh Received from Other Operating Sources	42,766
Cash Payments to Suppliers for Goods and Services	(1,589,140)
Cash Payments to Employees for Services	(2,567,350)
Cash Payments for Employee Benefits	(635,272)
Cash payments for Other Operating Uses	(77,859)
Net Cash Used for Operating Activities	(931,406)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants-Federal	1,046,658
Cash Received from Operating Grants-State	17,512
Cash Received from Contributions and Donations	6,630
Net Cash Provided by Noncapital Financing Activities	1,070,800
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquistions	(37,595)
Cash Proceeds from Notes	170,343
Cash Payments for Principal	(250,771)
Cash Payments for Interest and Fiscal Charges	(5,352)
Net Cash Used for Capital and Related Financing Activities	(123,375)
Net Increase in Cash and Cash Equivalents	16,019
Cash and Cash Equivalents at Beginning of Year	37,597
Cash and Cash Equivalents at End of Year	53,616
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(1,056,399)
Adjustments to Reconcile Operating Loss to Net Cash Ued for Operating Activities:	
Depreciation	35,819
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(48,237)
Increase in Accrued Wages and Benefits	96,036
Increase in Intergovernmental Payable	45,876
Decrease in Compensated Absences	(4,501)
Total Adjustments	124,993
Net Cash Used for Operating Activities	$ (931,406)

See the Accompanying notes to the financial statements.

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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. 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 sponsorship agreement states the Treasurer of the Sponsor shall serve as the Chief Fiscal Officer of the Academy (See Note 11).

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 one instructional/support facility staffed by 38 non-certificated, 41 certificated full time teaching personnel who provide services to 591 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 changes in net assets presents increases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets its cash flow needs.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

I. Operation 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 Principles

For fiscal year 2008, the Academy has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Academy; however, certain disclosures related to postemployment benefits (see Note 10) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Academy.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Academy.

4. Accounting Change and Restatement of Net Assets

In prior years, the Academy did not maintain a capital asset book value report to account for the Academy's capital asset balances. Rather than following the Academy's capitalization policies, all capital outlay expenditures were capitalized as capital assets. During fiscal year 2008, the Academy established a capital asset book value report and followed the established capitalization policies. The restatement due to this change had the following effect on net assets as they were previously reported:

Net Assets, June 30, 2007	$	630,684
Depreciable Capital Assets, Net		(744,482)
Adjusted Net Assets	$	(113,798)

5. Deposits

At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits was $ 53,616 and the bank balance was $114,943. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2008, $100,000 was covered by the Federal Depository Insurance Corporation and $14,943 was protected by a collateral pool of eligible securities deposited with a qualified trustee.

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

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

6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance 06/30/07	Additions	Deductions	Balance 06/30/2008
Capital Assets:				
Equipment	$ 119,408	$ 24,655	$ -	$ 144,063
Leasehold Improvements	34,747	12,940	-	47,687
Total Capital Assets	154,155	37,595	-	191,750
Less Accumulated Depreciation:				
Equipment	(32,124)	(27,662)	-	(59,786)
Leasehold Improvements	(16,229)	(8,157)	-	(24,386)
Total Accumulated Depreciation	(48,353)	(35,819)	-	(84,172)
Capital Assets, Net	$ 105,802	$ 1,776	$ -	$ 107,578

7. Operating Leases

The Academy has an operating lease for the period of July 1, 2004 through June 30, 2009 with Living Faith Apostolic Church to lease a school facility. The base rental of the lease is zero dollars. However, monthly payments are required of $33,374 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 $ 399,428 were paid during fiscal year 2008. 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 required of $17,846 as a pro rate share of the annual operating costs and overhead of the building.

The following minimum lease payments will be made for fiscal year ending:

Fiscal Year Ending June 30,	Living Faith Church	Miracit Corporation
2009	$ 391,518	$ 214,154
2010	-	214,154
Totals	$ 214,154	$ 214,154

8. Debt

The Academy has two notes outstanding at June 30, 2008 in the amount of $64,938, all of which is due within one year. These notes were entered into to cover operating costs of the Academy.

Debt Activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/2007	Issued	Redeemed	Balance 06/30/2008	Due Within One Year
Notes Payable:					
Miracit Development Corporation					
7.00% Issued 6/01/07					
Maturity 8/01/08	$145,366	$0	$120,428	$24,938	$24,938
Miracit Development Corporation					
0.00% Issued 11/1/2007					
Maturity 11/30/2007	0	23,343	23,343	0	0
Miracit Development Corporation					
0.00% Issued 11/1/2007					
Maturity 11/30/2007	0	23,000	23,000	0	0
Miracit Development Corporation					
0.00% Issued 4/28/2008					
Maturity 5/28/2008	0	62,000	62,000	0	0
Miracit Development Corporation					
0.00% Issued 2/27/2008					
Maturity 8/30/2008	0	62,000	22,000	40,000	40,000
	$145,366	$170,343	$250,771	$64,938	$64,938

9. 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, 2008 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

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.

10. Defined Benefit Pension Plans

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2008, it was determined the employer contribution rate to pension and death benefits to be 9.16%. The remaining 4.84% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The Academy's contributions for pension obligations to SERS for the fiscal years ending June 30, 2008, 2007, and 2006 was $126,183, $90,866, and $37,277, respectively, which equaled the required contributions each year.

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement Systems (Continued)

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to member's beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. The Academy's contributions for pension obligations for the fiscal years June 30, 2008, 2007, and 2006 were $228,141, $147,905, and $69,196, respectively, which equaled the required contributions each year.

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement Systems (Continued)

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2008 Comprehensive Annual Financial Report will be available after January 1, 2009. Additional information or copies of STRS Ohio's 2008 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

11. Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan
The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 2008 was $96.40, SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to Medicare B fund. For fiscal year 2008, the actuarially required allocation was .66%.

Health Care Plan
ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC) as of the June 30, 2008 annual valuation is 13.41% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

For the Academy, the amount to fund health care benefits, including surcharge, equaled $57,581 for fiscal year 2008.

11. Postemployment Benefits (Continued)

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physician's fees prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care benefits are financed on a pay as you go basis. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which heath care benefits are paid. For fiscal year June 30, 3008, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was $3.7 billion as of June 30, 2008. For the Academy, this amount equaled $16,296 for the fiscal year ended June 30, 2008.

For the fiscal year ended June 30, 2005 (the latest information available) net health care costs paid by STRS Ohio were $288,878,000. There were 126,506 eligible benefit recipients.

12. 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;

12. Fiscal Agent (Continued)

- Record all financial transactions in accordance with state statutes and as prescribed by the Auditor of State;
- Prepare and submit on a cash basis a monthly financial accounting of all school funds;
- Provide on-line access to the accounting records, for up to 4 designated officials;
- Prepare the annual financial statements for submission to the Auditor of State and prepare the annual GAAP conversion;
- Provide reports on services for the Academy administrators to present to the Board and assist the Board Treasurer and/or Business Manager in preparing other financial statements;
- Prepare bi-monthly reports as required by ODE and/or the Academy's sponsor;
- Assist in the preparation of the five-year forecast and ensure the report is submitted in a format approved by ODE;
- Assist the administrators in completing the CCIP budget.

13. Purchased Services

For the fiscal year June 30, 2008, purchased service expenses were payments for services rendered by various vendors, and are as follows:

Professional and Technical Services	$ 500,366
Communications	7,846
Pupil Transportation	16,423
Total Purchased Services	$ 524,635

14. Compensated Absences

After three months of service, employees begin to accumulate personal/sick time at the rate of 4 hours for each pay period of continuous service. Employees accumulate no more than eighty hours of personal/sick leave time during any one calendar year. All personal/sick time that has accumulated during the calendar year cannot be carried forward into the subsequent calendar year. In the event an employee has unused accumulated personal/sick leave upon termination of his or her employment with the Academy, the employee forfeits 70% of the unused personal/sick leave balance and is paid 30% of the unused accumulated personal/sick leave based upon the current rate of pay subject to all applicable payroll deductions. At fiscal year end, the Academy had no compensated absences payable.

15. Contingencies

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to an audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Academy at June 30, 2008.

B. School Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the fiscal year 2008 review revealed no material adjustment to the Academy's school funding.

16. 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 2008, the Academy reimbursed LFAC $7,559 and MiraCit Development Corp $342,166 for the Academy's portion of operating costs.

The Academy entered into a sponsorship agreement with the Lucas County Educational Service Center (LCESC) on September 20, 2004, 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 $72,486 of sponsorship fees was paid by the Academy to LCESC during fiscal year 2008.

17. Subsequent Events

On June 23, 2009, the Academy entered into a promissory note with MiraCit Development Corporation in the amount of $125,000 to cover certain Academy operating expenses. This note carries a 0% interest and is due in full on May 30, 2010.

On June 25, 2009, the Academy entered into a promissory note with MiraCit Development Corporation in the amount of $78,000 to cover certain Academy operating expenses. This note carries a 5% interest and is due in full on December 25, 2009.

18. Management Plan

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

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

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

Management will re-evaluate the Academy's financial position on a monthly basis and report to the governing board to determine the effectiveness of these strategies. The Academy has passed a balanced budget for Fiscal year 2010 and has a cash balance of $57,747 as of July 31, 2009.

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FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ *Pass Through Grantor* Program Title	Program Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S DEPARTMENT OF AGRICULTURE						
Passed Through the Ohio Department of Education						
Food Donation	2008	10.550	$ -	$ 10,742	$ -	$ 10,742
Child Nutrition Cluster:						
School Breakfast Program	2008	10.553	73,951	-	73,951	-
National School Lunch Program	2008	10.555	157,296	-	157,296	-
Total Child Nutrition Cluster			231,247	-	231,247	-
Total U.S. Department of Agriculture			**231,247**	**10,742**	**231,247**	**10,742**
U.S. DEPARTMENT OF EDUCATION						
Passed Through the Ohio Department of Education						
Special Education Grants to States	2008	84.027	121,394	-	103,758	-
	2007		11,011	-	25,000	-
Total Special Education Grants to States			132,405	-	128,758	-
Title I Grants to Local Educational Agencies	2008	84.010	370,417	-	372,107	-
	2007		169,532	-	122,921	-
Total Title I Grants to Local Educational Agencies			539,949	-	495,028	-
State Grants for Innovative Programs	2008	84.298	122	-	1,134	-
Improving Teacher Quality State Grants	2008	84.367	20,693	-	28,332	-
	2007		979	-	-	-
Total Improving Teacher Quality State Grants			21,672	-	28,332	-
Safe and Drug-Free Schools and Communities State Grants	2008	84.186	4,618	-	1,141	-
	2007		2,790	-	560	-
Total Safe and Drug-Free Schools and Communities State Grants			7,408	-	1,701	-
Education Technology State Grants	2008	84.318	691	-	11,685	-
Charter Schools	2007	84.282	8,581	-	-	-
Total U.S. Department of Education			**710,828**	**-**	**666,638**	**-**
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			**$ 942,075**	**$ 10,742**	**$ 897,885**	**$ 10,742**

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

FCI ACADEMY
FRANKLIN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the Academy to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the Academy contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE E – TRANSFERS

The Academy generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with the Ohio Department of Education's (ODE) approval, an Academy can transfer unspent Federal assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. The Academy can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, ODE authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	2007	$138,509	
84.010	Title I Grants to Local Educational Agencies	2008		$138,509
84.367	Improving Teacher Quality State Grants	2007	16,243	
84.367	Improving Teacher Quality State Grants	2008		16,243
84.298	State Grants for Innovative Programs	2007	420	
84.298	State Grants for Innovative Programs	2008		420
84.186	Safe and Drug-Free Schools and Communities State Grants	2007	429	
84.186	Safe and Drug-Free Schools and Communities State Grants	2008		429
84.318	Education Technology Grants	2007	5,483	
84.318	Education Technology Grants	2008		5,483
Totals			$161,084	$161,084

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, 2008, and have issued our report thereon dated July 31, 2009, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated July 31, 2009.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated July 31, 2009.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2009

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board of Directors:

Compliance

We have audited the compliance of the FCI Academy, Franklin County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings 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 each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2009

SCHEDULE OF FINDINGS
OBM CIRCULAR A-133 § .505
JUNE 30, 2008

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

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

Finding Number	**2008-001**

Significant Deficiency / Material Non-Compliance
Finding for Recovery Repaid Under Audit – Payroll Overpayment

During fiscal year 2008, the Academy overpaid an employee, Ramona Brewer, a total of $1,745.94. This included a $350.11 overpayment paid on check 3383 due to an improper leave payout calculation and $1,395.83 was paid on check 3505 which was paid after her service was terminated.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ramona Brewer in the amount of one thousand seven hundred forty-five dollars and ninety-four cents ($1,745.94) and in favor of the Academy's General Fund.

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

Additionally, Carl Shye, the Academy's Treasurer, will be jointly and severally liable in the amount of one thousand seven hundred forty-five dollars and ninety-four cents ($1,745.94), and in favor of the Academy's General Fund, to the extent that recovery is not obtained from Ramona Brewer.

We recommend the Academy develop and implement control procedures over the leave payout calculations to insure they are computed accurately.

On January 13, 2009, Carl Shye repaid the full amount of $1,745.94 to the Academy.

Officials' Response

FCI Academy will implement further internal controls to ensure that payroll payments and payouts are properly made.

Finding Number	**2008-002**

Significant Deficiency / Material Non-Compliance
Finding for Recovery Repaid Under Audit – Lease Overpayment

The Academy has an operating lease with Living Faith Apostolic Church (LFAC) to lease school facilities for the Academy. The base rent of the lease is zero dollars. However, monthly payments are required as a pro rate share of the annual operating costs and overhead of the facilities. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

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

Finding Number	2008-002 (Continued)

Significant Deficiency / Material Non-Compliance
Finding for Recovery Repaid Under Audit – Lease Overpayment (Continued)

During fiscal year 2008, the Academy's re-determined pro rate share amounts were $14,171.81 for the main campus, $6,720.61 for the kindergarten village, and $11,734.04 for the annex. However, after this re-determination, errors in invoicing from LFAC caused certain monthly billings and subsequent payments from the Academy to improperly revert back to fiscal year 2007 amounts of $14,919.80 for the main campus for eight payments, $7,355.67 for the kindergarten village for one payment, and $10,800.68 for the annex for one payment. This resulted in overpayments for fiscal year 2008 of $5,685.62 from the Academy to LFAC.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Living Faith Apostolic Church in the amount of five thousand six hundred eighty-five dollars and sixty-two cents ($5,685.62) and in favor of the Academy's General Fund.

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

Additionally, Carl Shye, the Academy's Treasurer, and The Hanover Insurance Company, the Treasurer's bonding company, will be jointly and severally liable in the amount of five thousand six hundred eighty-five dollars and sixty-two cents ($5,685.62), and in favor of the Academy's General Fund, to the extent that recovery is not obtained from Living Faith Apostolic Church.

We recommend the Academy develop and implement procedures over lease payments and invoices received from LFAC to insure payments are in accordance with the annual re-determination amount that is based on the operating cost of the facilities.

On September 28, 2009, Living Faith Apostolic Church repaid the full amount of $5,685.62 to the Academy.

Officials' Response

The Academy's lease with the church provides that "FCI Academy shall be responsible for its pro rata share of the annual operating costs and overhead for the building, payable in equal monthly installments. The annual amount shall be re-determined after each 12 month period based upon the operating costs and percentage of use of the facilities."

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

Finding Number	**2008-002 (Continued)**

Officials' Response (Continued)

Presently, the amount reimbursed to the church each month is a projected amount based upon the previous year's costs. For FY2008, the amount billed by the church and paid by the Academy exceeded the projections. Therefore, an audit finding for recovery was issued against the school. However, in fact, the documented costs for the period totaling $431,657 significantly *exceeded* the projected amount, as well as the amount paid by the school to LFAC.

During the audit, the church repaid the amount indicated due under the finding. Going forward, the lease will be reviewed and updated to ensure that all costs due under the lease are properly accounted for and paid.

Finding Number	**2008-003**

Significant Deficiency / Material Weakness
Financial Reporting

Sound financial reporting is the responsibility of the Treasurer, Superintendent, and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2008 financial statements and accounting records:

1. To increase the fiscal year 2008 Fringe Benefits and Intergovernmental Payable by $78,671 in order to properly record fringe benefits received by employees of the Academy.
2. To increase the fiscal year 2008 Salaries and Accrued Wages and Benefits Payable by $285,243 in order to properly record salaries payable to employees of the Academy.
3. To increase the fiscal year 2008 Fringe Benefits and Accrued Wages and Benefits Payable by $35,156 in order to properly record accrued benefits earned by the employees of the Academy

The audit adjustments identified above should be reviewed by the Treasurer, Superintendent, and Board of Directors to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Academy should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Academy's activity.

Officials' Response

The Board and Management of FCI Academy will continue to work to ensure that the school fully complies with the standards set forth under Generally Accepted Accounting Principals, as well as those required under the Ohio Revised Code.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

FCI ACADEMY
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OBM CIRCULAR A-133 § .315 (b)
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	**Significant Deficiency / Material Weakness** Capital Assets	Yes	
2007-002	**Significant Deficiency** Cash Collection Policy	Yes	

Mary Taylor, CPA
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
NOVEMBER 10, 2009

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