



**LONDON ACADEMY
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

LONDON ACADEMY
MADISON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

London Academy
Madison County
60 South Walnut Street
London, Ohio 43140

To the Board of Directors:

We have audited the accompanying basic financial statements of the London Academy, Madison County, Ohio (the Academy), a component unit of the London City School District, 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 that 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 London Academy, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 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.

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.

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

Mary Taylor, CPA
Auditor of State

May 29, 2009

**LONDON ACADEMY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of London Academy's financial performance provides an overall review 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 basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total net assets decreased \$628,500.
- Total assets decreased \$890,322.
- Total liabilities decreased \$261,822.

Using this Financial Report

This report consists of three parts, 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.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2008?" These statements are prepared using the economic resources measurement focus. With this measurement focus, all assets and liabilities are reported, both short and long-term. These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the fiscal year, regardless of when the cash is received or paid.

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

	(Table 1)		
	Net Assets		
	2008	2007	Increase (Decrease)
Assets:			
Current Assets	\$149,479	\$1,039,855	(\$890,376)
Depreciable Capital Assets, Net	39,989	39,935	54
Total Assets	<u>\$189,468</u>	<u>\$1,079,790</u>	<u>(\$890,322)</u>
Liabilities:			
Current Liabilities	<u>\$38,178</u>	<u>\$300,000</u>	<u>(\$261,822)</u>
Net Assets:			
Invested in Capital Assets	39,989	39,935	54
Restricted	111,301	78,827	32,474
Unrestricted	0	661,028	(661,028)
Total Net Assets	<u><u>\$151,290</u></u>	<u><u>\$779,790</u></u>	<u><u>(\$628,500)</u></u>

**LONDON ACADEMY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Total assets decreased \$890,322 and net assets decreased \$628,500. These decreases were due to a service agreement with London City School District under which the Academy pays substantially all amounts received to the School District for services performed.

Table 2 shows the changes in net assets for fiscal year 2008 and fiscal year 2007, as well as a listing of revenues and expenses.

(Table 2)

Change in Net Assets

	2008	2007	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$1,794,573	\$1,236,721	\$557,852
Charges for Sales and Services	1,001	0	1,001
Other Revenues	866	0	866
Non-Operating Revenues:			
Federal and State Grants	95,803	138,897	(43,094)
Interest	23,752	25,454	(1,702)
Total Revenues	<u>\$1,915,995</u>	<u>\$1,401,072</u>	<u>\$514,923</u>
Operating Expenses:			
Salaries	\$0	\$85,188	(\$85,188)
Fringe Benefits	902	20,211	(19,309)
Purchased Services	2,405,658	616,658	1,789,000
Materials and Supplies	130,752	130,342	410
Depreciation	17,724	14,169	3,555
Total Expenses	<u>2,555,036</u>	<u>866,568</u>	<u>1,688,468</u>
Income Before Contributions	(639,041)	534,504	(1,173,545)
Capital Contributions	<u>10,541</u>	<u>0</u>	<u>10,541</u>
Change in Net Assets	(628,500)	534,504	(1,163,004)
Net Assets at Beginning of Year	<u>779,790</u>	<u>245,286</u>	<u>534,504</u>
Net Assets at End of Year	<u>\$151,290</u>	<u>\$779,790</u>	<u>(\$628,500)</u>

Net assets decreased by \$628,500 from fiscal year 2007 to fiscal year 2008. Foundation payments increased \$557,852 due primarily to an increase in enrollment over the prior fiscal year. Purchased Services increased by \$1,789,000 due to a service agreement with London City School District under which the Academy pays substantially all amounts received to the School District for services performed. Salaries decreased by \$85,188 during fiscal year 2008 due to the Academy no longer having any employees. All Academy employees resigned from the Academy and became employed with the London City School District during December 2007. Please refer to the fiscal year 2008 financial statements regarding pension disclosures for these former Academy employees. The London City School District provides its employees to the Academy as needed in accordance with the service agreement.

During fiscal year 2008, the London Academy received \$10,541 in donated capital assets from the London City School District consisting of computers and office equipment.

**LONDON ACADEMY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Capital Assets

At the end of fiscal year 2008 the School had \$39,989 invested in furniture, fixtures and equipment.

For more information on capital assets see Note 4 to the basic financial statements.

Current Issues

The Academy is a community school sponsored by the London City School District. The Academy is in its sixth year of existence. For the past two years, the Academy has been serving at-risk students in grades 9 – 12. Students come to the Academy for a plethora of reasons: teen parents, students involved in the court system, students with medical conditions, students who are over eighteen and extremely credit deficient. Regardless, the Academy serves a great number of students who are at risk of not graduating on time.

Last year, 58.8 percent of the students London Academy served were economically disadvantaged. Also, 15.1 percent of the students were special needs students. The Academy has two Intervention Specialists who work very closely with these students to help them graduate. The number one priority is to see students graduate. This past fiscal year, the Academy had sixty-one graduates. In the previous year, twenty-nine students earned their diploma. These are students who, most likely, would not have graduated without a program similar to the Academy.

London Academy also helps credit deficient students earn make-up credits in an attempt to help them graduate on time. Many of these students return to their home districts, and graduate with their class.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. For questions about this report or additional information, contact Mr. Britt Lewis, Treasurer of London Academy, 60 South Walnut Street, London, Ohio 43140.

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**LONDON ACADEMY
MADISON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

Assets:

Current Assets:

Cash and Cash Equivalents	\$37,382
Intergovernmental Receivables	112,097
<i>Total Current Assets</i>	<u>149,479</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>39,989</u>
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<i>Total Assets</i>	<u>189,468</u>
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Liabilities:

Current Liabilities:

Due to Primary Government	<u>38,178</u>
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Net Assets:

Invested in Capital Assets	39,989
Restricted for IDEA-Part B Grant	54,941
Restricted for Title I Grant	48,190
Restricted for Other Purposes	<u>8,170</u>

<i>Total Net Assets</i>	<u><u>\$151,290</u></u>
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See accompanying notes to the basic financial statements

**LONDON ACADEMY
MADISON COUNTY**

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

Operating Revenues:	
Foundation Payments	\$1,794,573
Charges for Sales and Services	1,001
Other Revenues	<u>866</u>
<i>Total Operating Revenues</i>	<u>1,796,440</u>
Operating Expenses:	
Fringe Benefits	902
Purchased Services	2,405,658
Materials and Supplies	130,752
Depreciation	<u>17,724</u>
<i>Total Operating Expenses</i>	<u>2,555,036</u>
<i>Operating Loss</i>	<u>(758,596)</u>
Non-Operating Revenues:	
Federal Grants	90,803
State Grants	5,000
Interest	<u>23,752</u>
<i>Total Non-Operating Revenues</i>	<u>119,555</u>
<i>Loss Before Capital Contributions</i>	(639,041)
Capital Contributions	<u>10,541</u>
<i>Change in Net Assets</i>	(628,500)
<i>Net Assets at Beginning of Year</i>	<u>779,790</u>
<i>Net Assets at End of Year</i>	<u><u>\$151,290</u></u>

See accompanying notes to the basic financial statements

LONDON ACADEMY
MADISON COUNTY

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

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$1,001
Cash Received from Others	70
Cash Received from Foundation Payments	1,794,573
Cash Payments to Suppliers for Goods and Services	(2,706,076)
Cash Payments to Employees for Services	(71,945)
Cash Payments for Employee Benefits	<u>(21,113)</u>

Net Cash Used for Operating Activities (1,003,490)

Cash Flows from Noncapital Financing Activities:

Operating Grants Received 61,400

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions (7,237)

Cash Flows from Investing Activities:

Interest 23,752

Net Decrease in Cash and Cash Equivalents (925,575)

Cash and Cash Equivalents at Beginning of Year 962,957

Cash and Cash Equivalents at End of Year \$37,382

(continued)

LONDON ACADEMY
MADISON COUNTY

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

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (758,596)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 17,724

Changes in Assets and Liabilities:

Increase in Intergovernmental Receivables (796)

Decrease in Due to Primary Government (261,822)

Total Adjustments (244,894)

Net Cash Used for Operating Activities (\$1,003,490)

Non-Cash Transactions:

During fiscal year 2008, the Academy received \$10,541 in donated capital assets.

See accompanying notes to the basic financial statements

**LONDON ACADEMY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

London Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. London Academy qualifies as an exempt organization under Section 501c (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the ninth through twelfth grade population entirely through distance learning technologies. It is to be operated in cooperation with the public schools.

On June 25, 2007, the London City School District signed a renewal contract with the Academy to be the Academy's Sponsor effective July 1, 2007. The contract will expire on June 30, 2012. 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 five-member Board of Directors made up of five persons appointed by the London City School District Board of Education. No persons serving on the Board of Directors shall be employees or immediate family members of London City School District's employees or London City School District Board of Education members.

The Board of Directors is responsible for carrying out the provisions of the contract which include, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility (owned by London City School District) staffed by one non-certified and two certificated full-time teaching personnel (employed by London City School District) who provide services to 311 students. The Academy's Treasurer is also the London City School District's Treasurer.

Because the Academy is served by a five-member Board of Directors that is appointed by the London City School District, the Academy is reflected as a component unit of the London City School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the London Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. 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 November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

**LONDON ACADEMY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During the fiscal year, the Academy segregates transactions related to certain Academy functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For financial reporting, the Academy uses a single enterprise fund presentation.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The accounting and financial reporting treatment of the Academy's financial transactions is determined by the Academy's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The Academy's financial statements are prepared using the accrual basis of accounting.

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

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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.

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 not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the financial statements.

**LONDON ACADEMY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

The Academy's Treasurer accounts for all monies received by the Academy. The Academy maintains two interest bearing depository accounts and all funds of the Academy are maintained in these accounts. These accounts are presented on the Statement of Net Assets as "Cash and Cash Equivalents". The Academy did not have any investments during fiscal year 2008.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars for all capital assets. 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.

The Academy's only capital asset class is furniture, fixtures and equipment which is depreciated using the straight-line method over a useful life of five years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist 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. Net assets restricted for other purposes include resources restricted for federal and State grants restricted to expenditures for specified purposes.

The Statement of Net Assets reports \$111,301 of restricted net assets, none of which is restricted by enabling legislation.

The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. These revenues consist of operating grants and sales of services to other School Districts. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

I. Intergovernmental Revenues

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

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

**LONDON ACADEMY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Title I Grants to Local Educational Agencies (Title I)	\$48,190
Improving Teacher Quality Grant (Title II-A)	5,455
Education Technology Grant (Title II-D)	884
Safe and Drug Free Schools and Communities Grant (Title IV-A)	1,406
State Grants for Innovative Programs (Title V)	426
Special Education Grants to States (Part B-IDEA)	54,940
School Employees Retirement System Overpayment	796
Total Intergovernmental Receivables	\$112,097

NOTE 4 - CAPITAL ASSETS

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

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$70,843	\$17,778	\$0	\$88,621
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(30,908)	(17,724)	0	(48,632)
Capital Assets, Net	\$39,935	\$54	\$0	\$39,989

NOTE 5 - AGREEMENT WITH LONDON CITY SCHOOL DISTRICT

The Academy has contracted with London City School District to facilitate the day-to-day operations of the Academy. Per the agreement, the Academy pays London City School District, as a management fee, 100 percent of revenues received as mutually agreed upon. In turn, London City School District is responsible for all costs and decisions associated with operating the Academy. Such costs and decision areas include, but are not limited to: personnel (all teaching and administrative personnel are employees of London City School District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, and legal and financial management services. London City School District also owns and is responsible for maintenance of the Academy's facility. See Note 7 for the amount of actual expenses incurred by London City School District on behalf of the Academy.

**LONDON ACADEMY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. Beginning in fiscal year 2008, the Academy's coverage is provided under the London City School District's policy with the Schools of Ohio Risk Sharing Authority. For fiscal year 2008, the Academy had the following insurance coverage:

Coverage Type	Limits	Deductible
Property	\$54,971,234	\$1,000
Earth Movement	2,000,000	50,000
Flood Limit	2,000,000	50,000
Equipment Breakdown:	25,000,000	1,000
CFC Refrigerants	25,000	1,000
Hazardous Substance Contamination	50,000	1,000
Spoilage	10,000	1,000
Expediting Expenses	50,000	1,000
Crime Coverage:		
Employee Dishonesty Including Faithful Performance of Duty	50,000	1,000
Forgery or Alteration	50,000	1,000
Computer Fraud	50,000	1,000
Theft, Disappearance and Destruction	50,000	1,000
General Liability:		
Bodily Injury and Property Damage	11,000,000	None
Personal Injury/Advertising Liability	11,000,000	None
Products/Completed Operations	11,000,000	None
Employee Benefits Liability	11,000,000	None
Employer Stop Gap Liability:		
Bodily Injury by Accident (Each Accident)	1,000,000	None
Bodily Injury by Disease (Policy Limit)	1,000,000	None
Bodily Injury by Disease (Each Employee)	1,000,000	None
Aggregate Limit	1,000,000	None
General Annual Aggregate	13,000,000	None
Fire Legal Liability	500,000	None
Medical Payments Occurrence/Aggregate	5,000/25,000	None
Educators' Legal Liability - Wrongful Acts		
Coverage Per Occurrence	11,000,000	5,000
Automobile Liability:		
Bodily Injury & Property Damage (Per Occurrence)	\$11,000,000	None
Medical Payments Occurrence/Aggregate	5,000/25,000	None
Uninsured/Underinsured Motorist	1,000,000	None
Automobile Physical Damage	Actual Cash Value (ACV)	1,000
Garagekeepers Physical Damage	ACV (100,000 maximum)	1,000

Settled claims have not exceeded this commercial coverage since the Academy's inception. There has been no significant reduction in coverage from last fiscal year.

**LONDON ACADEMY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 - PURCHASED SERVICES

For the period July 1, 2007 through June 30, 2008, purchased services expenses were \$2,405,658 consisting of payments to the London City School District of \$2,330,334 for personnel (all teaching and administrative personnel are employees of London City School District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services. The Academy also had purchased services expenses to other vendors in the amount of \$75,324.

NOTE 8 - RELATED PARTY TRANSACTION

The Academy is a component unit of the London City School District. The Academy and the Sponsor entered into a 5-year sponsorship agreement on June 25, 2007 whereby terms of the sponsorship were established.

The Academy is required annually to pay to the Sponsor, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.03(C) of the Ohio Revised Code, such amounts as are mutually agreed, including fees for any services to the Academy by the Sponsor.

During fiscal year 2008, the Academy paid London City School District \$2,330,334 for personnel (all teaching and administrative personnel are employees of London City School District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services.

The Academy received \$10,541 in donated capital assets from the London City School District consisting of computers and office equipment.

NOTE 9 - CONTINGENCIES

A. Grants

The Academy received financial assistance from 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 agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. 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, 2008.

B. State 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 conclusion of this review resulted in the Academy receiving additional State funding of \$2,535.

C. Litigation

The Academy is currently not party to any legal proceedings.

LONDON ACADEMY
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

NOTE 9 – CONTINGENCIES (Continued)

D. Other

On February 21, 2008, the Ohio Department of Education (ODE) issued a letter to the London City School District (the Academy's sponsor), indicating that ODE is reviewing the Academy's organizational structure for compliance with provisions of Ohio Revised Code Section 3314. The impact of the ODE review, if any, on London Academy cannot presently be determined.

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Mary Taylor, CPA

Auditor of State

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

London Academy
Madison County
60 South Walnut Street
London, Ohio 43140

To the Board of Directors:

We have audited the financial statements of the London Academy, Madison County, Ohio (the Academy), a component unit of the London City School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated May 29, 2009. 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.

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.

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.

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

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Directors, and the London City School District. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 29, 2009

LONDON ACADEMY
MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Statement Adjustments	Yes	



Mary Taylor, CPA
Auditor of State

LONDON ACADEMY

MADISON 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
JULY 2, 2009**