



**RIVER VALLEY ACADEMY  
MARION COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**



**Dave Yost • Auditor of State**



RIVER VALLEY ACADEMY  
MARION COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	7
Statement of Revenues, Expenses, and Change in Net Assets.....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements .....	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

River Valley Academy  
Marion County  
197 Brocklesby Road  
Caledonia, Ohio 43314

To the Board of Directors:

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

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

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

As more fully discussed in Note 10, the Academy suspended operations on August 12, 2009 for one year to allow time for the Academy to develop and implement a corrective action plan to come into full compliance as an independent community school as required by the Ohio Department of Education. On July 21, 2010, the Board of Directors voted to maintain the suspension into fiscal year 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

March 9, 2011

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

---

The discussion and analysis of River Valley Academy's (RVA) financial performance provides an overall review of RVA's financial activities for the fiscal year ended June 30, 2010. Readers should also review the basic financial statements and notes to enhance their understanding of RVA's financial performance.

**Highlights**

The River Valley Academy began its first year of operation in fiscal year 2005 with the main program offered for high school students. This program was called the RISE program, Reaching Individual Students Everyday. In fiscal year 2006, RVA added a middle school program, which was the after school assistance program (ASAP). In fiscal year 2007, the RVA added an elementary program, the STARS program, Striving to Accelerate RV students.

On August 12, 2009, the River Valley Local District Board of Education suspended the operations of RVA for fiscal year 2010 to respond to an inquiry by the Ohio Department of Education.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how RVA did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report RVA's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of RVA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of RVA's net assets for fiscal year 2010 and fiscal year 2009:

	2010	2009	Change
Table 1 Net Assets			
<u>Assets:</u>			
Current Assets	\$88,732	108,427	(\$19,695)
Capital Assets, Net	57,847	69,166	(11,319)
Total Assets	<u>146,579</u>	<u>177,593</u>	<u>(31,014)</u>
<u>Liabilities:</u>			
Current Liabilities	<u>3,811</u>	<u>6,871</u>	<u>3,060</u>
<u>Net Assets:</u>			
Invested in Capital Assets	57,847	69,166	(11,319)
Unrestricted	84,921	101,556	(16,635)
Total Net Assets	<u>\$142,768</u>	<u>\$170,722</u>	<u>(\$27,954)</u>

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

The decrease in assets, liabilities, and net assets is due to the suspension of operations of RVA for fiscal year 2010.

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2 Change in Net Assets			
	2010	2009	Change
<u>Operating Revenues:</u>			
Foundation	\$607	\$357,631	(\$357,024)
<u>Non-Operating Revenues:</u>			
Grants	1,800	23,576	(21,776)
Total Revenues	2,407	381,207	(378,800)
 <u>Operating Expenses:</u>			
Purchased Services	12,544	314,142	301,598
Materials and Supplies	0	4,099	4,099
Depreciation	11,319	18,620	7,301
Other Operating Expenses	6,498	5,963	(535)
Total Expenses	30,361	342,824	312,463
Increase (Decrease) in Nets Assets	(27,954)	38,383	(66,337)
Net Assets at Beginning of Year	170,722	132,339	38,383
Net Assets at End of Year	\$142,768	\$170,722	(\$27,954)

The decrease in revenues, expenses, and net assets is due to the suspension of operations of RVA for fiscal year 2010.

**Budgeting**

RVA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**Capital Assets**

At the end of fiscal year 2010, RVA had \$57,847 invested in capital assets (net of accumulated depreciation). For further information regarding RVA's capital assets, refer to Note 4 to the basic financial statements.

**Current Issues**

On March 22, 2007, the River Valley Board of Education voted to extend the sponsorship contract of RVA for a period of five years from July 1, 2007, through June 30, 2012. The sponsorship agreement was submitted to the Office of Community Schools and received by their office on June 25, 2007.



**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

---

On August 12, 2009, the River Valley Board of Education voted to suspend the operations of RVA for one year to allow RVA to responsibly respond to the demands made by the Ohio Department of Education to operate independently from the River Valley Local School District. After the conclusion of this one year time line, the River Valley Local School District continued the suspension of RVA for an additional year pending further communication from the Ohio Department of Education on the operation of community schools.

**Contacting RVA's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of RVA's finances and to reflect RVA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sharon Malcom, Treasurer, River Valley Academy, 197 Brocklesby Road, Caledonia, Ohio 43314.

**THIS PAGE INTENTIONALLY LEFT BLANK**

RIVER VALLEY ACADEMY  
MARION COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2010

<u>Assets:</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 88,732
<u>Non-Current Assets:</u>	
Depreciable Capital Assets, Net	57,847
Total Assets	<u>146,579</u>
<u>Current Liabilities:</u>	
Accounts Payable	<u>3,811</u>
<u>Net Assets:</u>	
Invested in Capital Assets	57,847
Unrestricted	84,921
Total Net Assets	<u>\$ 142,768</u>

See Accompanying Notes to Basic Financial Statements

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

<u>Operating Revenues:</u>	
Foundation	\$ 607
<u>Operating Expenses:</u>	
Purchased Services	12,544
Depreciation	11,319
Other Operating Expenses	6,498
Total Operating Expenses	<u>30,361</u>
Operating Loss	(29,754)
<u>Non-Operating Revenues:</u>	
Grants	<u>1,800</u>
Change in Net Assets	(27,954)
Net Assets at Beginning of Year - Restated (Note 3)	<u>170,722</u>
Net Assets at End of Year	<u><u>\$ 142,768</u></u>

See Accompanying Notes to the Basic Financial Statements

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$ 607
Cash Payments for Services	(17,615)
Cash Payments for Other Expenses	(4,487)
Net Cash Used for Operating Activities	<u>(21,495)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	<u>7,839</u>
---------------------------	--------------

Net Decrease in Cash and Cash Equivalents	(13,656)
Cash and Cash Equivalents at Beginning of Year	<u>102,388</u>
Cash and Cash Equivalents at End of Year	<u><u>88,732</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(29,754)
----------------	----------

Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	11,319
Changes in Assets and Liabilities:	
Increase in Accounts Payable	1,962
Decrease in Intergovernmental Payable	(5,022)
Net Cash Used for Operating Activities	<u><u>\$ (21,495)</u></u>

See Accompanying Notes to the Basic Financial Statements

**THIS PAGE INTENTIONALLY LEFT BLANK**

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

---

**Note 1 - Description of the School**

River Valley Academy (RVA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. RVA is an approved tax-exempt organization under Sections 501(c)(3) and 170(c)(1) 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 RVA's tax exempt status. RVA's objective is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and prepare students to become lifelong learners and productive citizens. RVA is operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. RVA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. RVA may acquire facilities as needed and contract for any services necessary for the operation of the school.

RVA was approved for operation under a contract with the River Valley Local School District (the Sponsor) for a five-year period commencing on the first day of the 2008 academic year. The Sponsor is responsible for evaluating the performance of RVA and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of RVA with the Treasurer of the Sponsor performing the role of Treasurer for RVA.

RVA operates under the direction of a five-member Board of Directors made up of community members within the area served by RVA. The Board is appointed by the River Valley Board of Education. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget; developing policies to guide the operation of RVA; securing funding; and maintaining a commitment to the vision, mission, and belief statements of RVA. Generally RVA purchases planning, design, implementation, instruction, administration, and technical services for RVA from the Tri-Rivers Educational Computer Association (TRECA). However for fiscal year 2010, RVA had suspended operations to develop and implement an action plan to be accepted by the Ohio Department of Education, in order to resume operations. As such, during fiscal year 2010, RVA only purchased administrative services from TRECA.

RVA is a component unit of the River Valley Local School District.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of RVA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. RVA 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. RVA does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. Following are the more significant of RVA's accounting policies.

RIVER VALLEY ACADEMY  
MARION COUNTY

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

RVA's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

RVA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus**

RVA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of RVA are included on the statement of net assets. The statement of revenues, expenses, and change in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how RVA finances and meets its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. RVA'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, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which RVA 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which RVA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to RVA 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 the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the community school's contract with its Sponsor. The contract between RVA and its Sponsor requires a budget be prepared and reviewed on a regular basis.

**E. Cash and Cash Equivalents**

Cash held by RVA is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2010, RVA had no investments.



RIVER VALLEY ACADEMY  
MARION COUNTY

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. RVA maintains a capitalization threshold of one thousand dollars. RVA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Capital assets, currently consisting of equipment, are depreciated over five to thirty years.

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets 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 RVA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. RVA first applies restricted resources when an expense is incurred 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 activity of RVA. For RVA, these revenues are foundation payments from the State. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of RVA. All revenues and expenses not meeting this definition are reported as non-operating.

**I. 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 - Restatement of Net Assets**

In the prior fiscal year, RVA recorded a receivable for a grant that they did not receive. The restatement had the following effect on net assets of RVA as previously reported.

	Governmental Activities
Net Assets at June 30, 2009	\$175,518
Intergovernmental Receivable	(4,796)
Restated Net Assets at June 30, 2009	<u>\$170,722</u>

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

**Note 4 - Capital Assets**

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

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Depreciable Capital Assets				
Equipment	\$143,035	\$0	\$0	\$143,035
Less Accumulated Depreciation	(73,869)	(11,319)	0	(85,188)
Capital Assets, Net	<u>\$69,166</u>	<u>(\$11,319)</u>	<u>\$0</u>	<u>\$57,847</u>

**Note 5 - Risk Management**

RVA 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 fiscal year 2010, RVA obtained the following insurance coverage through the River Valley Local School District's insurance policy.

Coverage provided by Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage for the past three fiscal years.

**Note 6 - Fiscal Agent**

The sponsorship agreement states the Treasurer of the River Valley Local School District shall serve as the fiscal officer of RVA.

The Treasurer of the River Valley Local School District shall perform the following functions while serving as the Treasurer of RVA:

- A. Maintain the financial records of RVA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of RVA; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**Note 7 - Contracts with TRECA**

In prior years, RVA entered into two contracts with the Tri-Rivers Educational Computer Association (TRECA). The first contract was for management consulting services. The second contract was for curricular and consulting services. Given that RVA's operations were suspended for fiscal year 2010, no new contracts have been adopted as of the date of these financial statements.

**RIVER VALLEY ACADEMY  
MARION COUNTY**

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

---

**Note 8 - Related Party Transactions**

RVA is a component unit of the Sponsor (River Valley Local School District). RVA and the River Valley Local School District entered into the original five-year sponsorship agreement on September 10, 2002, whereby terms of the sponsorship were established. This agreement has subsequently been renewed. Pursuant to this agreement, River Valley Local School District's Treasurer serves as the RVA's fiscal officer.

In fiscal year 2010, payments made by RVA to River Valley Local School District were \$425 for administrative services provided by River Valley Local School District to RVA.

**Note 9 - Contingencies**

**A. Grants**

RVA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. Due to the suspension of operations in fiscal year 2010, all grants not used were returned to the provider.

**B. Litigation**

The U.S. Department of Education and U.S. Attorney's Office in February 2010 requested all records relating to RVA from January 1, 2003 to current. The government is investigating whether RVA complied with federal requirements to receive federal grant money. RVA is working with the U.S. Attorney's Office and Department of Education to provide them with complete information on the matter.

**Note 10 - Subsequent Event**

On March 9, 2009, RVA received a letter from the Ohio Department of Education (ODE) summarizing results from a site visit performed over RVA on December 5, 2008. This site visit was conducted in response to complaints ODE had received that alleged the co-mingling of students between RVA and River Valley Local School District. ODE further indicated, as part of this site visit, that a community school is a public, nonprofit, nonsectarian school that operates independently of any school district, but under contract with a sponsoring entity and that based on the results of the site visit, ODE cannot confirm that RVA met the definition of a community school. ODE required RVA to immediately begin taking steps to come into full compliance as an independent community school as of August 1, 2009, or lose funding. RVA did not submit a corrective action plan and on August 12, 2009, the Board of Directors voted to suspend the operation of RVA for one year to allow time for RVA to develop and implement a corrective action plan. On July 21, 2010, the Board of Directors voted to maintain the suspension into fiscal year 2011.

**THIS PAGE IS INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

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

River Valley Academy  
Marion County  
197 Brocklesby Road  
Caledonia, Ohio 43314

To the Board of Directors:

We have audited the basic financial statements of River Valley Academy, Marion County, Ohio, (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 9, 2011, wherein we noted the Academy suspended operations on August 12, 2009 for one year to allow time for the Academy to develop and implement a corrective action plan to come into full compliance as an independent community school as required by the Ohio Department of Education. On July 21, 2010, the Board of Directors voted to maintain the suspension into fiscal year 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

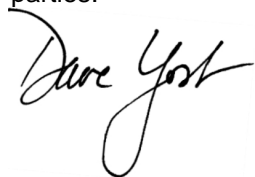
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 9, 2011