

**LONDON ACADEMY
MADISON COUNTY**

BASIC FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011





Dave Yost • Auditor of State

Board of Directors
London Academy
380 Elm St.
London, Ohio 43140

We have reviewed the *Independent Accountants' Report* of the London Academy, Madison County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The London Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2012

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**LONDON ACADEMY
MADISON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

London Academy
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Directors:

We have audited the accompanying basic financial statements of the London Academy, Madison County (the Academy), a component unit of the London City School District, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of London Academy, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Kennedy Cottrell Richards LLC
January 23, 2012

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the 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 \$88,708.
- Total assets increased \$279,238.
- Total liabilities increased \$367,946.

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 2011?" 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 2011 and fiscal year 2010:

	(Table 1)		
	Net Assets		
	2011	Restated 2010	Increase (Decrease)
	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>
Assets:			
Current Assets	\$391,202	\$108,408	\$282,794
Depreciable Capital Assets, Net	3,556	7,112	(3,556)
Total Assets	<u>\$394,758</u>	<u>\$115,520</u>	<u>\$279,238</u>
			(continued)

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 1)
Net Assets
(continued)

	2011	Restated 2010	Increase (Decrease)
Liabilities:			
Current Liabilities	\$367,946	\$0	\$367,946
Net Assets:			
Invested in Capital Assets	3,556	7,112	(3,556)
Restricted	23,256	108,404	(85,148)
Unrestricted	0	4	(4)
Total Net Assets	\$26,812	\$115,520	(\$88,708)

Total assets increased \$279,238 and net assets decreased \$88,708. Assets increased due mainly to an increase in cash and cash equivalents because of the timing of payments made to London City School District for the purchase service agreement, where the Academy pays the School District 100 percent of revenues received to facilitate the day-to-day operations for the Academy. Liabilities increased \$367,946 due to the timing of payments made to London City School District for the purchase services agreement.

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2011	Restated 2010	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$1,961,264	\$1,882,870	\$78,394
Non-Operating Revenues:			
Federal and State Grants	377,934	374,819	3,115
Interest	56	334	(278)
Total Revenues	\$2,339,254	\$2,258,023	\$81,231

(continued)

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 2)
Change in Net Assets
(continued)

	2011	Restated 2010	Increase (Decrease)
Operating Expenses:			
Fringe Benefits	\$0	\$12	(\$12)
Purchased Services	2,319,482	2,367,274	(47,792)
Materials and Supplies	104,924	0	104,924
Depreciation	3,556	15,153	(11,597)
Total Expenses	<u>2,427,962</u>	<u>2,382,439</u>	<u>45,523</u>
Change in Net Assets	(88,708)	(124,416)	35,708
Net Assets at Beginning of Year - Restated	<u>115,520</u>	<u>239,936</u>	<u>(124,416)</u>
Net Assets at End of Year	<u><u>\$26,812</u></u>	<u><u>\$115,520</u></u>	<u><u>(\$88,708)</u></u>

Net assets decreased \$88,708 from fiscal year 2010 to fiscal year 2011. Foundation payments increased \$78,394 due to an increase in funding from the State during the fiscal year. Purchased Services decreased \$47,792 due to the Academy closely monitoring operating expenses due to the ailing economy. Materials and supplies increased in the amount of \$104,924 due to the Academy making purchases for materials and supplies whereas in the prior year London City School District paid for all materials and supplies for the Academy.

The London City School District provides its employees to the Academy as needed in accordance with a service agreement between the School District and the Academy. Because the School District provides the service to the Academy, the Academy does not have expenditures for salaries or benefits. The small amount of expenditures for benefits for fiscal year 2010 were amounts owed by the Academy to the State Teachers' Retirements system from prior years.

Capital Assets

At the end of fiscal year 2011, the Academy had \$3,556 invested in furniture, fixtures and equipment.

For more information on capital assets see Note 7 to the basic financial statements.

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 Ms. Kristine Blind, Treasurer of London Academy, 380 Elm Street, London, Ohio 43140.

LONDON ACADEMY
Statement of Net Assets
June 30, 2011

Assets:

Current Assets:

Cash and Cash Equivalents	\$367,946
Intergovernmental Receivables	23,256
<i>Total Current Assets</i>	<u>391,202</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>3,556</u>
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<i>Total Assets</i>	<u>394,758</u>
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Liabilities:

Current Liabilities:

Due to Primary Government	367,946
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Net Assets:

Invested in Capital Assets	3,556
Restricted for Education Jobs	6,939
Restricted for IDEA-Part B Grant	12,481
Restricted for Other Purposes	<u>3,836</u>

<i>Total Net Assets</i>	<u><u>\$26,812</u></u>
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See accompanying notes to the basic financial statements

LONDON ACADEMY
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Operating Revenues:	
Foundation Payments	<u>\$1,961,264</u>
Operating Expenses:	
Purchased Services	2,319,482
Materials and Supplies	104,924
Depreciation	<u>3,556</u>
<i>Total Operating Expenses</i>	<u>2,427,962</u>
<i>Operating Loss</i>	<u>(466,698)</u>
Non-Operating Revenues:	
Federal Grants	372,934
State Grants	5,000
Interest	<u>56</u>
<i>Total Non-Operating Revenues</i>	<u>377,990</u>
<i>Change in Net Assets</i>	(88,708)
<i>Net Assets at Beginning of Year - Restated (See Note 11)</i>	<u>115,520</u>
<i>Net Assets at End of Year</i>	<u><u>\$26,812</u></u>

See accompanying notes to the basic financial statements

LONDON ACADEMY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Foundation Payments	\$1,961,264
Cash Payments to Suppliers for Goods and Services	<u>(2,056,460)</u>
<i>Net Cash Used for Operating Activities</i>	(95,196)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	<u>463,082</u>
Cash Flows from Investing Activities:	
Interest	<u>56</u>
<i>Net Increase in Cash and Cash Equivalents</i>	367,942
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>4</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$367,946</u></u>
Reconciliation of Operating Loss to Net	
Cash Used for Operating Activities:	
Operating Loss	<u>(\$466,698)</u>
Adjustments to Reconcile Operating	
Loss to Net Cash Used for Operating Activities:	
Depreciation	3,556
Changes in Assets and Liabilities:	
Increase in Due to Primary Government	<u>367,946</u>
<i>Total Adjustments</i>	<u>371,502</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$95,196)</u></u>

See accompanying notes to the basic financial statements

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

London Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised 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. 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.

The School is a discretely presented component unit of the London City School District (Sponsor). 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 School operates under the direction of a self-appointed five-member Board of Directors. 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 staffed by one non-certified and six certificated full-time teaching personnel (employed by London City School District) who provide services to 337 students. The Academy’s Treasurer is also the London City School District’s Treasurer.

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
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 total net assets. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

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.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

The Academy's Treasurer accounts for all monies received by the Academy. The Academy maintains one interest bearing depository account and all funds of the Academy are maintained in this account. This account is presented on the Statement of Net Assets as "Cash and Cash Equivalents". The Academy did not have any investments during fiscal year 2011.

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 \$500 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 assets class is furniture, fixtures and equipment which is depreciated using the straight-line method over a useful life of five years.

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

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. These revenues consist of foundation payments. 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.

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.

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 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The school does not have a deposit policy for custodial credit risk. At fiscal year-end, the bank balance and carrying amount of the School's deposits was \$367,946. Only \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), leaving \$117,946 uncollateralized. There are no significant statutory restrictions regarding the deposit and investments of funds by the School.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, 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.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 4 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Education Jobs	\$6,940
Grants to Local Educational Agencies (Title I)	1,509
Improving Teacher Quality Grant (Title II-A)	1,852
Education Technology Grant (Title II-D)	114
Special Education Grants to States (Part B-IDEA)	12,841
Total Intergovernmental Receivables	\$23,256

NOTE 5 - CAPITAL ASSETS

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

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$88,621	\$0	\$0	\$88,621
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(81,509)	(3,556)	0	(85,065)
Capital Assets, Net	\$7,112	(\$3,556)	\$0	\$3,556

NOTE 6 - 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 associated with operating the Academy. Such costs 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 is responsible for maintenance of the Academy’s facility. See Note 8 for the amount of actual expenses incurred by London City School District on behalf of the Academy.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 7 - 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. 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 2011, the Academy's coverage was for property, equipment breakdown, crime, general liability, educators' legal liability, automobile liability, and gatekeepers' liability.

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.

NOTE 8 - PURCHASED SERVICES

For the period July 1, 2010 through June 30, 2011, purchased services expenses were \$2,319,482 consisting of payments to the London City School District of \$2,300,597 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 \$18,885.

NOTE 9 - RELATED PARTY TRANSACTION

The Academy is a component unit of the London City School District. The Academy and the Sponsor entered into a five-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 2011, the Academy paid London City School District \$2,300,597 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.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

NOTE 10 - CONTINGENCIES

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, 2011.

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 results of this review could result in State funding being adjusted. The Academy does not anticipate any adjustments to State funding for fiscal year 2011 as a result of such a review.

Litigation

The Academy is currently not party to any legal proceedings.

NOTE 11 – RESTATEMENT OF NET ASSETS

Intergovernmental receivables were restated at June 30, 2010 due to an error in the prior fiscal year.

	Governmental Activities
Net Assets at June 30, 2010	<u>\$156,714</u>
Decrease in Net Assets	<u>(41,194)</u>
Net Assets Restated at June 30, 2010	<u><u>\$115,520</u></u>

NOTE 11 – SUBSEQUENT EVENTS

London Academy entered into a new purchase service agreement with London City School District on June 29, 2011 that went into effect on July 1, 2011.

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

London Academy
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Directors:

We have audited the accompanying basic financial statements of the London Academy, Madison County (the Academy), a component unit of the London City School District, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated January 23, 2012. 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, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.



Kennedy Cottrell Richards LLC
January 23, 2012

Independent Accountants' Report on Applying Agreed-Upon Procedures

London Academy
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Directors:

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

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

1. We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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



Kennedy Cottrell Richards LLC

January 23, 2012

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Dave Yost • 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
APRIL 19, 2012