

**London Academy
Madison County, Ohio**

**Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**



Dave Yost • Auditor of State

January 13, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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Mary Taylor, CPA

Auditor of State

Board of Directors
London Academy
60 South Walnut Street
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, 2009 through June 30, 2010. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 30, 2010

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LONDON ACADEMY
Madison County

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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, 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 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 London Academy, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, 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.

The Management 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.



Kennedy Cottrell Richards LLC

November 8, 2010

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 \$83,222.
- Total assets decreased \$83,376.
- Total liabilities decreased \$154.

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 2010?" 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 2010 and fiscal year 2009:

	(Table 1)		
	Net Assets		
	2010	2009	Increase (Decrease)
Assets:			
Current Assets	\$149,602	\$217,825	(\$68,223)
Depreciable Capital Assets, Net	7,112	22,265	(15,153)
Total Assets	\$156,714	\$240,090	(\$83,376)
			(continued)

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

(Table 1)
Net Assets
(continued)

	2010	2009	Increase (Decrease)
Liabilities:			
Current Liabilities	\$0	\$154	(\$154)
Net Assets:			
Invested in Capital Assets	7,112	22,265	(15,153)
Restricted	149,598	217,671	(68,073)
Unrestricted	4	0	4
Total Net Assets	\$156,714	\$239,936	(\$83,222)

Total assets decreased \$83,376 and net assets decreased \$83,222. These decreases were due to a decline in grant revenue related to the Title 1 and Part B-IDEA grants.

Table 2 shows the changes in net assets for fiscal year 2010 and fiscal year 2009, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2010	2009	Increase (Decrease)
Operating Revenues:			
Foundation Payments	\$1,882,870	\$1,950,423	(\$67,553)
Non-Operating Revenues:			
Federal and State Grants	416,013	147,540	268,473
Interest	334	3,174	(2,840)
Other	0	3,332	(3,332)
Total Revenues	\$2,299,217	\$2,104,469	\$194,748

(continued)

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

(Table 2)
Change in Net Assets
(continued)

	2010	2009	Increase (Decrease)
Operating Expenses:			
Fringe Benefits	\$12	\$0	\$12
Purchased Services	2,367,274	1,998,099	369,175
Depreciation	15,153	17,724	(2,571)
Total Expenses	<u>2,382,439</u>	<u>2,015,823</u>	<u>366,616</u>
Change in Net Assets	(83,222)	88,646	(171,868)
Net Assets at Beginning of Year	239,936	151,290	88,646
Net Assets at End of Year	<u>\$156,714</u>	<u>\$239,936</u>	<u>(\$83,222)</u>

Net assets decreased \$83,222 from fiscal year 2009 to fiscal year 2010. Foundation payments decreased \$67,553 due primarily to a decrease in funding from the State during the fiscal year as a result of the declining economy. Federal and State grants increased \$268,473 due mainly to an additional federal grant received for fiscal stabilization. Purchased Services increased \$369,175 due to a service agreement with London City School District whereby the Academy pays substantially all amounts received to the School District for services performed. As the Academy's revenues increase, the purchased services expenditures increase due to the service agreement.

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 are due to amounts owed by the Academy to the State Teachers' Retirement System from prior years.

Capital Assets

At the end of fiscal year 2010, the Academy had \$7,112 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 eighth year of existence for fiscal year 2010. For the past four 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 18 and extremely credit deficient. Regardless, the Academy serves a great number of students who are at risk of not graduating on time.

LONDON ACADEMY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Last fiscal year, 59.8 percent of the students London Academy served were economically disadvantaged. Also, 20.2 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 115 graduates. In the previous fiscal year, 69 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.

LONDON ACADEMY
Statement of Net Assets
June 30, 2010

Assets:

Current Assets:

Cash and Cash Equivalents	\$4
Intergovernmental Receivables	149,598
<i>Total Current Assets</i>	<u>149,602</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>7,112</u>
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<i>Total Assets</i>	<u>156,714</u>
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Liabilities:	<u>0</u>
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Net Assets:

Invested in Capital Assets	7,112
Restricted for IDEA-Part B Grant	42,696
Restricted for Title I Grant	104,492
Restricted for Other Purposes	2,410
Unrestricted	<u>4</u>

<i>Total Net Assets</i>	<u><u>\$156,714</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, 2010

Operating Revenues:	
Foundation Payments	<u>\$1,882,870</u>
Operating Expenses:	
Fringe Benefits	12
Purchased Services	2,367,274
Depreciation	<u>15,153</u>
<i>Total Operating Expenses</i>	<u>2,382,439</u>
<i>Operating Loss</i>	<u>(499,569)</u>
Non-Operating Revenues:	
Federal Grants	411,013
State Grants	5,000
Interest	<u>334</u>
<i>Total Non-Operating Revenues</i>	<u>416,347</u>
<i>Change in Net Assets</i>	(83,222)
<i>Net Assets at Beginning of Year</i>	<u>239,936</u>
<i>Net Assets at End of Year</i>	<u><u>\$156,714</u></u>

See accompanying notes to the basic financial statements

LONDON ACADEMY
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 Payments	\$1,882,870
Cash Payments to Suppliers for Goods and Services	(2,367,428)
Cash Payments for Employee Benefits	<u>(12)</u>

Net Cash Used for Operating Activities (484,570)

Cash Flows from Noncapital Financing Activities:

Operating Grants Received 484,086

Cash Flows from Investing Activities:

Interest 334

Net Decrease in Cash and Cash Equivalents (150)

Cash and Cash Equivalents at Beginning of Year 154

Cash and Cash Equivalents at End of Year \$4

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$499,569)

Adjustments to Reconcile Operating

Loss to Net Cash Used for Operating Activities:

Depreciation 15,153

Changes in Assets and Liabilities:

Decrease in Due to Primary Government (154)

Total Adjustments 14,999

Net Cash Used for Operating Activities (\$484,570)

See accompanying notes to the basic financial statements

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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. 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 380 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.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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.

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 net total 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.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 2010.

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.

LONDON ACADEMY
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 - RECEIVABLES

Receivables at June 30, 2010, 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, 2010

NOTE 3 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Grants to Local Educational Agencies (Title I)	\$104,492
Improving Teacher Quality Grant (Title II-A)	664
Safe and Drug Free Schools and Communities Grant (Title IV-A)	1,746
Special Education Grants to States (Part B-IDEA)	42,696
Total Intergovernmental Receivables	\$149,598

NOTE 4 - CAPITAL ASSETS

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

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$88,621	\$0	\$0	\$88,621
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(66,356)	(15,153)	0	(81,509)
Capital Assets, Net	\$22,265	(\$15,153)	\$0	\$7,112

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
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 2010, 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 2010, 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 7 - PURCHASED SERVICES

For the period July 1, 2009 through June 30, 2010, purchased services expenses were \$2,367,274 consisting of payments to the London City School District of \$2,367,234 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 \$40.

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 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 2010, the Academy paid London City School District \$2,367,234 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, 2010

NOTE 9 - 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, 2010.

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 School does not anticipate any adjustments to State funding for fiscal year 2010 as a result of such a review.

Litigation

The Academy is currently not party to any legal proceedings.

**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 London Academy, Madison County, Ohio (the Academy) as of and for the year ended June 30, 2010, a component unit of the London City School District, as listed in the table of contents and have issued our report thereon dated November 8, 2010. 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 Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government'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*.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
Page 2

We intend this report solely for the information and use of management, 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 "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC

November 8, 2010

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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
JANUARY 13, 2011**