

**LONDON ACADEMY  
MADISON COUNTY**

BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2012







# 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, 2011 through June 30, 2012. 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

March 18, 2013

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**LONDON ACADEMY  
FRANKLIN 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, 2012, 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, 2012, 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, 2013, 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, 2013

**LONDON ACADEMY**  
**(A Component Unit of London City School District)**  
**Madison County, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

This discussion and analysis of London Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. 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 increased \$146,975.
- Total assets decreased \$154,191.
- Total liabilities decreased \$301,166.

**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 2012?" 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.

**LONDON ACADEMY**  
**(A Component Unit of London City School District)**  
**Madison County, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 1 provides a summary of the Academy's net assets for fiscal year 2012 and fiscal year 2011:

	(Table 1)		
	<b>Net Assets</b>		
	2012	2011	Increase (Decrease)
<b>Assets:</b>			
Current Assets	\$ 239,022	\$ 391,202	\$ (152,180)
Depreciable Capital Assets, Net	1,545	3,556	(2,011)
Total Assets	<u>\$ 240,567</u>	<u>\$ 394,758</u>	<u>\$ (154,191)</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 66,780	\$ 367,946	\$ (301,166)
Total Liabilities	<u>66,780</u>	<u>367,946</u>	<u>(301,166)</u>
<b>Net Assets:</b>			
Invested in Capital Assets	1,545	3,556	(2,011)
Restricted	0	23,256	(23,256)
Unrestricted	172,242	0	172,242
Total Net Assets	<u>\$ 173,787</u>	<u>\$ 26,812</u>	<u>\$ 146,975</u>

Total assets decreased \$154,191 and net assets increased \$146,975. Assets decreased primarily due to a decrease in cash and cash equivalents because of the timing of payments made to London City School District (the "District") for the purchase service agreement and due a decrease in federal grant revenue caused by the phase out of federal stimulus funds. Liabilities decreased \$301,166 due to the timing of payments made to the District for the purchase services agreement.

Table 2 shows the changes in net assets for fiscal year 2012 and fiscal year 2011, as well as a listing of revenues and expenses.

**LONDON ACADEMY**  
**(A Component Unit of London City School District)**  
**Madison County, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

(Table 2)  
**Change in Net Assets**

	2012	2011	Increase (Decrease)
<b>Operating Revenues:</b>			
Foundation Payments	\$ 1,992,316	\$ 1,961,264	\$ 31,052
Instructional Fees	140	0	140
Miscellaneous Revenues	3,912	0	3,912
<b>Non-Operating Revenues:</b>			
Federal and State Grants	138,568	377,934	(239,366)
Interest	256	56	200
Total Revenues	<u>\$ 2,135,192</u>	<u>\$ 2,339,254</u>	<u>\$ (204,062)</u>
<b>Operating Expenses:</b>			
Purchased Services	\$ 1,674,636	\$ 2,319,482	\$ (644,846)
Materials and Supplies	283,438	104,924	178,514
Depreciation	9,729	3,556	6,173
Miscellaneous	20,414	0	20,414
Total Expenses	<u>1,988,217</u>	<u>2,427,962</u>	<u>(439,745)</u>
Change in Net Assets	146,975	(88,708)	235,683
Net Assets at Beginning of Year	<u>26,812</u>	<u>115,520</u>	<u>(88,708)</u>
Net Assets at End of Year	<u>\$ 173,787</u>	<u>\$ 26,812</u>	<u>\$ 146,975</u>

Federal and State Grants decreased \$239,366 due to the phase out of federal stimulus funding during the fiscal year. Purchased Services decreased \$644,846 and Materials and Supplies increased 178,514 primarily due to the change in the terms of the purchased service agreement with the District, whereas the Academy became more involved in making their own purchases whereas in the prior year, the District paid for the majority of these items for the Academy. See Note 6 for further details on the purchased service agreement.

The District provides its employees to the Academy as needed in accordance with a service agreement between the District and the Academy. Because the District provides the service to the Academy, the Academy does not have expenditures for salaries or benefits.

**LONDON ACADEMY**  
*(A Component Unit of London City School District)*  
**Madison County, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

**Capital Assets**

At the end of fiscal year 2012, the Academy had \$1,545 invested in furniture, fixtures and equipment.

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

**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. Shirley Dodge, Treasurer of London Academy, 380 Elm Street, London, Ohio 43140.

**LONDON ACADEMY**  
**(A COMPONENT UNIT OF LONDON CITY SCHOOL DISTRICT)**  
**MADISON COUNTY**

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 220,535
Intergovernmental Receivable	18,487

**Non-current Assets**

Depreciable Capital Assets, Net	1,545
Total Assets	<u>240,567</u>

**Liabilities**

**Current Liabilities**

Accounts Payable	1,155
Due To Primary Government	65,625
Total Liabilities	<u>66,780</u>

**Net Assets**

Invested in Capital Assets	1,545
Unrestricted	172,242
Total Net Assets	<u>\$ 173,787</u>

See accompanying notes to the basic financial statements.

**LONDON ACADEMY**  
**(A COMPONENT UNIT OF LONDON CITY SCHOOL DISTRICT)**  
**MADISON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Operating Revenues:</b>	
Foundation Revenues	\$ 1,992,316
Instructional Fees	140
Miscellaneous	3,912
Total Operating Revenues	<u>1,996,368</u>
<b>Operating Expenses:</b>	
Purchased Services	1,674,636
Supplies and Materials	283,438
Depreciation	9,729
Miscellaneous	20,414
Total Operating Expenses	<u>1,988,217</u>
Operating Income/(Loss)	<u>8,151</u>
<b>Non-Operating Revenues:</b>	
State Subsidies	738
Federal Subsidies	137,830
Interest Earnings	256
Total Non-Operating Revenues	<u>138,824</u>
Change in Net Assets	146,975
Net Assets at Beginning of Year	<u>26,812</u>
Net Assets at End of Year	<u><u>\$ 173,787</u></u>

See accompanying notes to the basic financial statements.

**LONDON ACADEMY**  
**(A COMPONENT UNIT OF LONDON CITY SCHOOL DISTRICT)**  
**MADISON COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Cash Flows From Operating Activities</b>	
Cash Received from Instructional Fees	\$ 140
Cash Received from Foundation Payments	1,993,057
Cash Received from Other Revenues	3,912
Cash Payments for Contract Services	(1,976,957)
Cash Payments for Supplies and Materials	(283,024)
Cash Payments for Miscellaneous	(20,414)
Net Cash Used by Operating Activities	<u>(283,286)</u>
 <b>Cash Flows From Noncapital Financing Activities</b>	
Cash from Federal and State Subsidies	<u>143,337</u>
Net Cash Provided by Noncapital Financing Activities	<u>143,337</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	<u>(7,718)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(7,718)</u>
 <b>Cash Flows From Investing Activities</b>	
Interest Received	<u>256</u>
Net Cash Provided by Investing Activities	<u>256</u>
 Net Decrease in Cash and Cash Equivalents	 (147,411)
 Cash and Cash Equivalents at Beginning of Year	 367,946
 Cash and Cash Equivalents at End of Year	 <u><u>\$ 220,535</u></u>

See accompanying notes to the basic financial statements.

**LONDON ACADEMY**  
**(A COMPONENT UNIT OF LONDON CITY SCHOOL DISTRICT)**  
**MADISON COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Reconciliation of Operating Income/(Loss) to Net Cash  
Used by Operating Activities:**

Operating Income/(Loss)	\$ 8,151
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:</b>	
Add Depreciation Expense	9,729
Change in Assets and Liabilities	
Increase in Accounts Payable	1,155
Decrease in Due to Primary Government	<u>(302,321)</u>
Total Adjustments	<u>(291,437)</u>
Net Cash Used by Operating Activities	<u><u>\$ (283,286)</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, 2012

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**NOTE 1 - DESCRIPTION OF THE ACADEMY 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 Academy is a discretely presented component unit of the London City School District (the “District”). On June 25, 2007, the District signed a renewal contract with the Academy to be the Academy’s sponsor for the period July 1, 2007 through June 30, 2012, with automatic renewal for successive one-year terms provided the District has determined that the Academy’s compliance with applicable laws and terms of the contract and progress in meeting academic goals are satisfactory. The District 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 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 two non-certified and eight certificated full-time teaching personnel (employed by the District) who provide services to 289 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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, 2012

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**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, 2012

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**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 2012.

**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, 2012

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**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**

At fiscal year-end, the carrying amount of the Academy's deposits was \$220,535 and the bank balance was \$1,194,845. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining \$944,845 was exposed to custodial risk. There are no significant statutory restrictions regarding the deposit and investments of funds by the Academy.

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

**LONDON ACADEMY**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2012

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**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2012, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Grants to Local Educational Agencies (Title I)	\$ 2,962
Improving Teacher Quality Grant (Title II-A)	785
Special Education Grants to States (Part B-IDEA)	14,740
Total Intergovernmental Receivables	\$ 18,487

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$ 88,621	\$ 7,718	\$ (13,072)	\$ 83,267
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(85,065)	(9,729)	13,072	(81,722)
Capital Assets, Net	\$ 3,556	\$ (2,011)	\$ -	\$ 1,545

**NOTE 6 - AGREEMENT WITH LONDON CITY SCHOOL DISTRICT**

On June 29, 2011, the Academy entered into an agreement with the District for educational and administrative services commencing on July 1, 2011 and expiring on June 30, 2021. The District is reimbursed by the Academy monthly for all costs associated with operating the Academy. Such cost areas include, but are not limited to: personnel (all teaching and administrative personnel are employees of the 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. The District is responsible for maintenance of the Academy's facility. Per the agreement, the Academy pays the District 80 percent of General Fund revenues received and unencumbered as of June 30<sup>th</sup> of each fiscal year, as mutually agreed upon. See Note 8 for the amount of actual expenses incurred by the District on behalf of the Academy.

**LONDON ACADEMY**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2012

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**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 District's policy with the Schools of Ohio Risk Sharing Authority. For fiscal year 2012, 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, 2011 through June 30, 2012, purchased services expenses were \$1,674,636 consisting of payments to the District of \$1,630,389 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 \$44,247.

**NOTE 9 - RELATED PARTY TRANSACTION**

The Academy is a component unit of the District. The Academy and the District entered into a five-year sponsorship agreement on June 25, 2007 and a purchased services agreement on June 29, 2011. The Academy is required to pay to the District as described in Note 6.

During fiscal year 2012, the Academy paid the District \$1,564,764 for personnel (all teaching and administrative personnel are employees of the 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. Additionally, at June 30, 2012, the Academy owes the District \$65,625 for services rendered as of June 30, 2012.

**LONDON ACADEMY**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2012

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**NOTE 10 - CONTINGENCIES**

**Grants and Student Attendance Data Review**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Academy 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 of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

**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 review of fiscal year 2012 revealed the Academy was overpaid \$741. This amount has been recorded as accounts payable at June 30, 2012.

**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  
380 Elm Street  
London, Ohio 43140

To the Board of Directors:

We have audited the financial statements of London Academy, Madison County, (the Academy), a component unit of the London City School District, as of and for the year ending June 30, 2012, and have issued our report thereon dated January 23, 2013. 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.



Kennedy Cottrell Richards LLC  
January 23, 2013

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

1. We noted the Academy amended its anti-harassment policy at its meeting on June 26, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 management, the Board of Directors, and the Academy'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, 2013



# 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  
MARCH 28, 2013