



Dave Yost • Auditor of State



POLLY FOX ACADEMY  
LUCAS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Polly Fox Academy  
Lucas County  
1505 Jefferson Avenue  
Toledo, Ohio 43604

To the Governing Board:

We have audited the accompanying basic financial statements of Polly Fox Academy, Lucas County, Ohio (the Academy), 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 opinions 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 opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 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.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

May 2, 2012

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

The management's discussion and analysis of the Polly Fox Academy (the "Academy") 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 notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets were \$771,917 at June 30, 2011.
- The Academy had operating revenues of \$736,022 and operating expenses of \$1,735,226 for fiscal year 2011. The Academy also received \$912,832 in federal and state grants and \$1,974 in interest revenue during fiscal year 2011.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

The table below provides a comparison of the Academy's net assets for fiscal years 2011 and 2010.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

	<b>Net Assets</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets:</u></b>		
Current assets	\$ 1,121,759	\$ 1,160,500
Non-current assets	<u>25,332</u>	<u>38,839</u>
Total assets	<u>1,147,091</u>	<u>1,199,339</u>
<b><u>Liabilities:</u></b>		
Current liabilities	<u>375,174</u>	<u>343,024</u>
Total liabilities	<u>375,174</u>	<u>343,024</u>
<b><u>Net assets:</u></b>		
Invested in capital assets	25,332	38,449
Restricted	493,672	440,433
Unrestricted	<u>252,913</u>	<u>377,433</u>
Total net assets	<u>\$ 771,917</u>	<u>\$ 856,315</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled \$771,917, of which \$493,672 is restricted in use.

At fiscal year-end, capital assets represented 2.21% of total assets. Capital assets consisted of furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$25,332. These capital assets are used to provide services to the students and are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The most significant change in operating revenues was a \$157,293 decrease in foundation revenue. This decrease is due to a decrease in enrollment for fiscal year 2011. Operating grants, mostly from the federal government, increased \$136,869 from fiscal year 2010. This is mainly due to the Academy's participation in the Education Jobs program, a federal program to create or save education jobs.

Operating expenses showed a \$44,907 decrease from fiscal year 2010. This is mainly due to the decrease in enrollment when compared to fiscal year 2010.

The table below provides a comparative analysis of the changes in net assets for fiscal years 2011 and 2010.



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

**Change in Net Assets**

	<u>2011</u>	<u>2010</u>
<b><u>Operating revenues:</u></b>		
State foundation	\$ 684,827	\$ 842,120
Special education	34,687	60,834
Sales/charges for services	4,047	1,386
Other operating revenues	<u>12,461</u>	<u>138</u>
Total operating revenue	<u>736,022</u>	<u>904,478</u>
<b><u>Operating expenses:</u></b>		
Salaries	262,537	237,311
Fringe benefits	56,858	62,876
Purchased services	1,335,348	1,288,964
Materials and supplies	30,688	106,741
Depreciation	13,117	13,118
Other	<u>36,678</u>	<u>71,123</u>
Total operating expenses	<u>1,735,226</u>	<u>1,780,133</u>
<b><u>Non-operating revenues:</u></b>		
Operating grants	912,832	775,963
Contributions and donations	-	3,661
Interest	<u>1,974</u>	<u>6,947</u>
Total non-operating revenues/expenses	<u>914,806</u>	<u>786,571</u>
Change in net assets	(84,398)	(89,084)
Net assets at beginning of year	<u>856,315</u>	<u>945,399</u>
Net assets at end of year	<u>\$ 771,917</u>	<u>\$ 856,315</u>

The Academy's business-type activities consist of enterprise activity. Community schools receive no support from tax levies.

There was a decrease in operating revenues of \$168,456 and a decrease in operating expenses of \$44,907 from fiscal year 2010. These decreases are primarily due to a decrease in enrollment for fiscal year 2011. Federal and state grant revenue increased by \$136,869, primarily due to the Education Jobs grant.

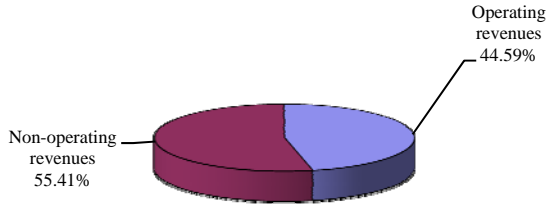
The expense for purchased services increased \$46,384 from fiscal year 2010. This is primarily due to an increase in the amount of services purchased from Toledo Public Schools. The Academy owes \$333,307 to Toledo Public Schools for Sponsor fees, excess balance fees and other purchased services.

The charts below illustrate the revenues and expenses for the Academy during fiscal 2011 and 2010.

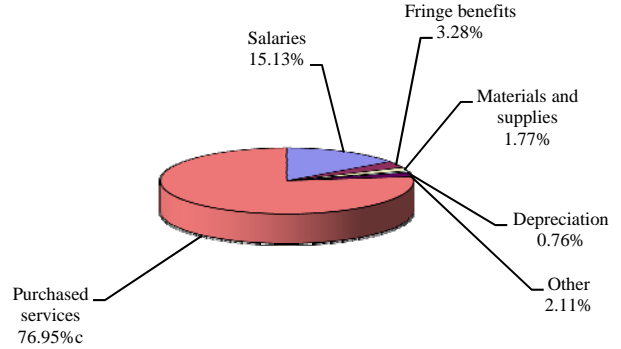
**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

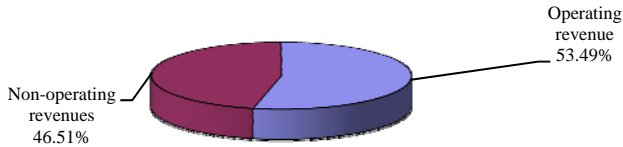
**2011 Revenues**



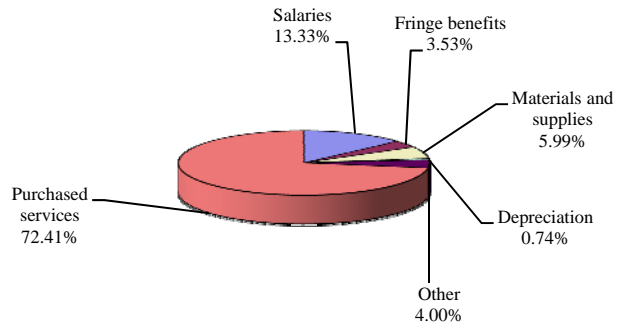
**2011 Expenses**



**2010 Revenues**



**2010 Expenses**



**Capital Assets**

The Academy's asset capitalization minimum is \$5,000. The Academy had \$65,591 in capital assets, net of \$40,259 of accumulated depreciation. See Note 8 for details.

**Current Financial Related Activities**

Foundation revenue is the primary source of funding received by Academy representing 93.05% of total operating revenues. The majority of other State and federal aid in the non-operating revenues came from the Ohio Department of Education in the form of Title I, IDEA-B and Education Stabilization grants. These monies were used to finance educational opportunities to those students participating in the Academy's programs.

Payroll and fringe benefits totaled \$319,395 or 19.35% of total revenues and 18.41% of total expenses. Purchased services expense primarily includes expenses incurred from fees for professional services, building services, training, consulting and advertising.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Rose Butler, Treasurer, Polly Fox Academy, 1505 Jefferson Avenue, Toledo, Ohio 43604.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Assets:**

Current Assets:

Cash and Cash Equivalents	\$ 628,918
Intergovernmental Receivables	487,179
Prepayments	5,662
Total Current Assets	<u>1,121,759</u>

Non-current assets:

Capital Assets, Net of Accumulated Depreciation	<u>25,332</u>
Total Assets	<u>1,147,091</u>

**Liabilities:**

Current Liabilities:

Accounts Payable	10,800
Accounts Payable to Toledo Public Schools	333,307
Intergovernmental Payable	2,782
Accrued Wages and Benefits	27,410
Accounts Payable to Students	875
Total Current Liabilities	<u>375,174</u>

**Net assets:**

Invested in Capital Assets	25,332
Restricted for:	
Restricted for Locally Funded Programs	101,295
Restricted for State Programs	9,316
Restricted for Federal Programs	383,061
Unrestricted Deficit	<u>252,913</u>
Total Net Assets	<u>\$ 771,917</u>

See Accompanying Notes to the Basic Financial Statements

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Operating Revenues:**

Foundation Payments	\$ 684,827
Special Education	34,687
Charges for Services	4,047
Other Operating Revenues	<u>12,461</u>
Total Operating Revenues	<u>736,022</u>

**Operating Expenses:**

Salaries	262,537
Fringe Benefits	56,858
Purchased Services	1,335,348
Materials and Supplies	30,688
Depreciation	13,117
Other Operating Expenses	<u>36,678</u>
Total Operating Expenses	<u>1,735,226</u>
Operating Loss	<u>(999,204)</u>

**Non-Operating Revenues:**

Operating Grants - Federal	789,693
Operating Grants - State	123,139
Interest	<u>1,974</u>
Total Non-Operating Revenues	<u>914,806</u>
Change in Net Assets	(84,398)
Net Assets Beginning of Year	<u>856,315</u>
Net Assets End of Year	<u>\$ 771,917</u>

See Accompanying Notes to the Basic Financial Statements

POLLY FOX ACADEMY  
LUCAS COUNTY

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Decrease in Cash and Cash Equivalents**

Cash Flows from Operating Activities:

Cash received from State of Ohio	\$ 720,827
Cash received from Classroom Fees	4,047
Cash Received from Other Operating Sources	43,688
Cash Payments for Employees for Services	(246,868)
Cash Payments for Employee Benefits	(55,109)
Cash payments for Purchased Services	(1,325,349)
Cash Payments for Materials and Supplies	(30,186)
Cash Payments for Other Expenses	<u>(35,278)</u>

*Net Cash Used for Operating Activities* (924,228)

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants and Subsidies 651,002

Cash Flows from Investing Activities:

Cash Received from Interest on Investments 1,974

*Net Decrease in Cash and Cash Equivalents* (271,252)

*Cash and Cash Equivalents at Beginning of Year* 900,170

*Cash and Cash Equivalents at End of Year* \$ 628,918

(Continued)

POLLY FOX ACADEMY  
LUCAS COUNTY

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

**Reconciliation of Operating Loss  
to Net Cash Used in Operating Activities:**

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Operating Loss \$ (999,204)

**Adjustments to Reconcile Operating Loss  
to Net Cash Used for Operating Activities:**

Depreciation	13,117
Changes in Assets and Liabilities:	
Decrease in Deposits	390
Decrease in Accounts Receivable	10,628
Decrease in Intergovernmental Receivable	20,599
Increase in Prepayments	(1,908)
Decrease in Accounts Payable	(1,236)
Increase in Accrued Wages and Benefits	15,669
Increase in Intergovernmental Payable	2,782
Increase in Accounts Payable to Toledo City Schools	14,110
Increase in Accounts Payable to Students	825

*Net Cash Used for Operating Activities* \$ (924,228)

See Accompanying Notes to the Basic Financial Statements

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Polly Fox Academy, Lucas County, Ohio (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades nine through twelve. The Academy 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 qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under a contract with the Toledo City School District (the "Sponsor") for a period of five academic years commencing September 1, 2003. The Academy has entered a new contract with the Sponsor for three years effective July 1, 2008 through June 30, 2011, with two one year renewal periods at the option of the parties.

The Academy operates under the direction of a five member Governing Board. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 8 non-certified staff members and 14 certified full time teaching personnel who provide services to 120 students.

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

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Academy has elected not to apply this FASB guidance. The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Measurement Focus**

Enterprise 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. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all the eligibility requirements have been satisfied. Eligibility requirements including timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except House Bill 364, which took effect April 8, 2003, added Ohio Revised Code Section 3314.03 (11)(d), which states that community schools must comply with Ohio Revised Code Section 5705.391. This requires each community school to submit to the Ohio Department of Education (ODE) a five year forecast no later than October 31 of each year.

**E. Cash and Cash Equivalents**

The Academy's Treasurer accounts for all monies received by the Academy. All cash received by the Treasurer is maintained in separate bank accounts in the Academy's name.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During fiscal year 2011, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). The Academy has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

**F. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy has maintained a capitalization threshold of \$5,000. The Academy does not have any infrastructure. 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, but are expended when incurred.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture fixtures and equipment	5 years
Vehicles	5 - 20 years

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted include the amounts reserved for locally funded programs, state funded programs and federally funded programs.

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

**H. Prepaid Items**

Payments made to vendors for services that will benefits periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**J. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Foundation and special education revenue received by the Academy during fiscal year 2011 was \$719,514.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the 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. Federal and State grants for the fiscal year 2011 received by the Academy was \$912,832.

**K. Estimates**

The preparation of financial statements in conformity with GAAP 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 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2011, the Academy has implemented GASB Statement No. 59, "Financial Instruments Omnibus". GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all Academy deposits was \$261,501. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$250,000 of the Academy's bank balance of \$382,395 was covered by the Federal Deposit Insurance Corporation and \$132,395 was exposed to custodial credit risk.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2011, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
STAR Ohio	\$ 367,417	\$ 367,417

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of Credit Risk:* The Academy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Academy at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 367,417	100.00

**C. Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of June 30, 2011:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 261,501
Investments	<u>367,417</u>
Total	<u>\$ 628,918</u>
<u>Cash and cash equivalents per statement of net assets</u>	<u>\$ 628,918</u>

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 5 - RECEIVABLES**

At June 30, 2011, receivables consisted of intergovernmental grants and entitlements. All receivables are considered collectible within one year.

	<u>Receivable</u>
Education jobs	\$ 49,447
Title VI-B	54,908
Title II-D	26
Title I school improvement	29,501
Title I	134,655
Title IV-A	108
AFL grant	193,025
Ohio Job and Family Services grant	17,462
Federal food programs grants	<u>8,047</u>
Total	<u>\$ 487,179</u>

**NOTE 6 - PURCHASED SERVICES**

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	\$1,257,562
Property services & rentals	1,039
Travel mileage/meeting expense	7,676
Communications	4,362
Transportation services	23,525
Other purchased services	<u>41,184</u>
Total	<u>\$1,335,348</u>

**NOTE 7 - OPERATING LEASES - LESSEE DISCLOSURE**

The Academy entered into a lease with Phoenix Academy for school facilities. The lease requires an annual payment of \$100.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

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

	Balance 06/30/10	Additions	Balance 06/30/11
<i>Capital assets, being depreciated:</i>			
Furniture, fixtures and equipment	\$ 17,667		\$ 17,667
Vehicles	47,924		47,924
Total capital assets, being depreciated	65,591		65,591
<i>Less: accumulated depreciation</i>			
Furniture, fixtures and equipment	(7,972)	\$ (3,532)	(11,504)
Vehicles	(19,170)	(9,585)	(28,755)
Total accumulated depreciation	(27,142)	(13,117)	(40,259)
Capital assets, net	\$ 38,449	\$ (13,117)	\$ 25,332

**NOTE 9 - MANAGEMENT AGREEMENT**

The Academy entered into a contract, effective July 1, 2003, through June 30, 2004, renewable each year up to five years, with Toledo City School District (the "Sponsor") for educational and financial management services. The Academy entered a new contract with the Sponsor for three years effective July 1, 2008 through June 30, 2011, with two one year renewal periods at the option of the parties.

Total expenses paid to the Sponsor were \$1,088,315 of which \$333,307 is recognized as an amount due to the Sponsor at June 30, 2011. The total amount consists of sponsorship fees, which equaled three percent of foundation revenue, of \$67,412, annual fees of \$155,212, and the remaining \$110,683 was for purchased services.

The annual fee is paid in the subsequent fiscal year totaling an amount equal to 100% of the unencumbered balance of the amount in excess of \$500,000 with exceptions detailed in the contract with the Sponsor.

Terms of the contract require the Sponsor to provide the following:

- A. All instructional personnel, and support staff, all payroll and inclusion in benefit plans:
- B. Transportation for the Academy upon request of the Academy;
- C. Reports on Academy operations, finances, and students' performance, upon request of the Academy;
- D. Any other function necessary or expedient for the administration of the Academy at the request of the Academy;
- E. Detailed, itemized monthly invoices of costs associated with items A-D above.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the Academy obtained insurance through broker Hylant Insurance with the following insurance coverage:

Property damage per occurrence	\$ 2,620,000
General liability coverage:	
Bodily injury and property damage limit	5,000,000
Personal and advertising injury limit	5,000,000
General aggregate limit	7,000,000
Fire damage limit - any one event	500,000
Medical expense - any one person or accident	10,000
Legal liability coverage:	
Errors and omissions injury limit	5,000,000
Aggregate	7,000,000
Fiduciary liability coverage:	
Each fiduciary claim limit	5,000,000
Aggregate	7,000,000
Employers' liability (Ohio stop gap):	
Bodily injury by accident	5,000,000
Bodily injury by disease	5,000,000

There have been no claims paid for the past three fiscal years.

**B. Workers' Compensation**

The Academy does not pay directly into the State Workers' Compensation System. All employees are contracted through Toledo City School District, which pays the Workers' Compensation System based on their payroll. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$10,382, \$10,759 and \$8,070, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$156,843, \$127,167 and \$102,784, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$4,662 made by the Academy and \$3,330 made by the plan members.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$3,012, \$1,650 and \$3,598, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$668, \$640 and \$666, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$12,065, \$9,782 and \$7,906, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

Most employees of the Academy are employed by the Toledo City School District. Policies and procedures are approved by the Toledo City School District Board of Education and are applied to compensated absences, insurance benefits, and deferred compensation of staff purchased from Toledo City School District by contract.

**NOTE 14 – RELATED PARTY TRANSACTIONS**

Joan Kuchcinski is a board member of both Polly Fox and Phoenix Academies that are sponsored by Toledo City School District. She is employed by Toledo City School District.

Joan Reasonover was a board member of both Polly Fox and Phoenix Academies that are sponsored by Toledo City School District. She is employed by Toledo City School District. Ms. Reasonover resigned from the Polly Fox and Phoenix Academies' boards on December 31, 2010.

Ms. Kuchcinski and Ms. Reasonover received \$1,375 and \$500, respectively, in compensation as board members from the Academy.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. 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.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) 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. As a result of the review after fiscal year-end, the Academy owed the ODE \$1,313. This amount is recorded as an intergovernmental payable on the statement of net assets.

**C. Litigation**

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b><i>Passed Through Ohio Department of Education:</i></b>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$ 6,092	\$ 6,092
National School Lunch Program	10.555	22,773	22,773
Total U.S.Department of Agriculture		28,865	28,865
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b><i>Passed Through the Ohio Department of Education:</i></b>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	56,678	54,526
ARRA - Title I Grants to Local Educational Agencies	84.389	20,226	54,753
Total Title I Cluster:		76,904	109,279
<u>Special Education Cluster:</u>			
Special Education_Grants to States	84.027	32,867	25,185
ARRA - Special Education_Grants to States	84.391	32,867	19,688
Total Special Education Cluster:		32,867	44,873
Safe and Drug-Free Schools and Communities_State Grants	84.186	706	108
Education Technology State Grant	84.318	44	245
Improving Teacher Quality State Grants	84.367	510	
ARRA - State Fiscal Stabilization Fund	84.394	65,430	36,029
Total U.S. Department of Education		176,461	190,534
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PUBLIC HEALTH SERVICE</b>			
<b><i>Direct Assistance</i></b>			
Adolescent Family Life_Demonstration Projects	93.995	350,885	303,458
<b>Total Federal Awards</b>		<b>\$ 556,211</b>	<b>\$ 522,857</b>

*The accompanying notes are an integral part of this schedule.*

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Polly Fox Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the Academy to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Polly Fox Academy  
Lucas County  
1505 Jefferson Avenue  
Toledo, Ohio 43604

To the Governing Board:

We have audited the financial statements of Polly Fox Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated May 2, 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

Polly Fox Academy  
Lucas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and other Matters  
Required by *Government Auditing Standards*  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 2, 2012.

We intend this report solely for the information and use of management, the audit committee, the Governing Board, the Academy's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 2, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Polly Fox Academy  
Lucas County  
1505 Jefferson Avenue  
Toledo, Ohio 43604

To the Governing Board:

### Compliance

We have audited the compliance of Polly Fox Academy, Lucas County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Academy's major federal program for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

In our opinion, the Polly Fox Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-002.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated May 2, 2012.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, the Academy's sponsor, others within the Academy, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

May 2, 2012



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 93.995 Adolescent Family Life_ Demonstration Projects
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2011-001**

**Noncompliance Citation**

**Ohio Revised Code, §3314.03 (D)**, states that the contract between the governing authority of a community school and a sponsor shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include, among other requirements the following:

- Monitor the community school's compliance with all laws applicable to the school and with the terms of the contract; and
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the community school on at least an annual basis.

During fiscal year 2011, Toledo Public Schools, in its capacity as a sponsor to Polly Fox Academy, failed to monitor Polly Fox Academy in accordance with the aforementioned requirements.

The failure to monitor and evaluate compliance on a timely basis could result in Polly Fox Academy being noncompliant with applicable laws, and could have poor academic and/or fiscal performance, which could ultimately result in the closure of Polly Fox Academy.

As a sponsor, Toledo Public Schools should institute a system to evaluate legal, educational, and fiscal performance of Polly Fox Academy.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2011-002**

**Noncompliance Citation**

**OMB Circular A-133 §.200**, Audits of States, Local Governments and Non-Profit Organizations, as published on 06/27/2003, requires Non-Federal entities that expend \$500,000 or more in a year in Federal awards to have a single audit or program-specific audit conducted for that year in accordance with the provisions of **OMB Circular A-133**.

OMB Circular A-133 §.320 requires the audit to be completed and the data collection form and reporting package to be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The Academy expended greater than \$500,000 in Federal awards during fiscal year 2011 and did not have a single audit or a program-specific audit conducted to meet the nine month deadline. The Academy did not receive an extension to this filing requirement

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-002	The Academy's management will work with the Auditor of State in coordinating and scheduling future audits to accommodate completion of the audit within the prescribed deadline of nine months after the audit period.	03/31/13	Rose Butler, Treasurer

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**POLLY FOX ACADEMY  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-001	Ohio Rev. Code § 3314.07 (A) and § 3314.03 (E) – Expiration of contract with Sponsor	Yes	
2010-002	Ohio Rev. Code § 3314.03 (D) – Sponsor’s monitoring of community school	No	Not corrected. Reissued as finding 2011-001 in this report.
2010-003	Material Weakness – Posting of transactions and GAAP conversion process	Yes	
2010-004	Title XX §2005. [300z-4], par c.2. – Matching requirements not being met	Yes	
2010-005	OMB Circular A-133 §.200 – Did not have audit completed within nine month deadline	No	Not corrected. Reissued as finding 2011-002 in this report.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Polly Fox Academy  
Lucas County  
1505 Jefferson Avenue  
Toledo, Ohio 43604

To the Governing Board:

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 Board, solely to assist the Board in evaluating whether Polly Fox Academy (the School) 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 Board. 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 School 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 School 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 Governing Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 2, 2012

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# Dave Yost • Auditor of State

**POLLY FOX ACADEMY**

**LUCAS 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  
MAY 15, 2012**