



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, 2012, 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, 2012, 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 April 19, 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.

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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 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.

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

April 19, 2013

**POLLY FOX ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 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 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 2012 are as follows:

- In total, net assets were \$604,175 at June 30 2012.
- The Academy had operating revenues of \$929,088 and operating expenses of \$1,608,090 for fiscal year 2012. The Academy also received \$510,773 in federal, state and local grants and \$487 in interest revenue during fiscal year 2012.

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 2012?" 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.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The table below provides a comparison of the Academy's net assets for fiscal years 2012 and 2011.

| | Net Assets | |
|----------------------------|-------------------|-------------------|
| | <u>2012</u> | <u>2011</u> |
| <u>Assets:</u> | | |
| Current assets | \$ 877,401 | \$ 1,121,759 |
| Non-current assets | <u>13,262</u> | <u>25,332</u> |
| Total assets | <u>890,663</u> | <u>1,147,091</u> |
| <u>Liabilities:</u> | | |
| Current liabilities | <u>286,488</u> | <u>375,174</u> |
| Total liabilities | <u>286,488</u> | <u>375,174</u> |
| <u>Net assets:</u> | | |
| Invested in capital assets | 13,262 | 25,332 |
| Restricted | 186,494 | 493,672 |
| Unrestricted | <u>404,419</u> | <u>252,913</u> |
| Total net assets | <u>\$ 604,175</u> | <u>\$ 771,917</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Academy's net assets totaled \$604,175, of which \$186,494 is restricted in use.

At fiscal year-end, capital assets represented 1.49% of total assets. Capital assets consisted of furniture, fixtures and equipment and vehicles. Capital assets at June 30, 2012, were \$13,262. 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 largest decrease in current assets was the decrease in intergovernmental receivables, which accounts for grants and entitlements due to the Academy at fiscal year end. This amount was less than the prior fiscal year because of the end of Federal Stimulus grants.

Current liabilities decreased due to a decrease in the amount due to Toledo Public Schools for sponsorship fees and purchased services.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The table below provides a comparative analysis of the changes in net assets for fiscal years 2012 and 2011.

Change in Net Assets

| | <u>2012</u> | <u>2011</u> |
|---------------------------------------|-------------------|-------------------|
| <u>Operating revenues:</u> | | |
| State foundation | \$ 867,471 | \$ 684,827 |
| Special education | 55,311 | 34,687 |
| Charges for services | 3,988 | 4,047 |
| Other operating revenues | <u>2,318</u> | <u>12,461</u> |
| Total operating revenue | <u>929,088</u> | <u>736,022</u> |
| <u>Operating expenses:</u> | | |
| Salaries | 239,206 | 262,537 |
| Fringe benefits | 46,371 | 56,858 |
| Purchased services | 1,192,603 | 1,335,348 |
| Materials and supplies | 72,758 | 30,688 |
| Depreciation | 12,070 | 13,117 |
| Other | <u>45,082</u> | <u>36,678</u> |
| Total operating expenses | <u>1,608,090</u> | <u>1,735,226</u> |
| <u>Non-operating revenues:</u> | | |
| Operating grants | 510,773 | 912,832 |
| Interest | <u>487</u> | <u>1,974</u> |
| Total non-operating revenues/expenses | <u>511,260</u> | <u>914,806</u> |
| Change in net assets | (167,742) | (84,398) |
| Net assets at beginning of year | <u>771,917</u> | <u>856,315</u> |
| Net assets at end of year | <u>\$ 604,175</u> | <u>\$ 771,917</u> |

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

There was an increase in operating revenues of \$193,066. The increase in operating revenue is due to an increase in enrollment for fiscal year 2012. Non-operating revenues decreased \$403,546, primarily due to the end of Federal Stimulus grants.

The expense for purchased services decreased \$142,745 from fiscal year 2011. This is primarily due to a decrease in the amount of services purchased from Toledo Public Schools. The Academy owes \$252,119 to Toledo Public Schools for Sponsor fees, excess balance fees and other purchased services.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The charts below illustrate the revenues and expenses for the Academy during fiscal 2012 and 2011.



Capital Assets

The Academy's asset capitalization minimum is \$5,000. The Academy had \$65,591 in capital assets, net of \$52,329 of accumulated depreciation. See Note 8 for details.

Current Financial Related Activities

Foundation revenue is the primary source of funding received by Academy representing 93.37% 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 Jobs grants. These monies were used to finance educational opportunities to those students participating in the Academy's programs.

Payroll and fringe benefits totaled \$285,577 or 19.83% of total revenues and 17.76% of total expenses. Purchased services expense primarily includes expenses incurred from fees for professional services, building services, training, consulting and advertising. The Academy's primary vendor for purchased services is Toledo Public Schools. The Academy paid \$988,087 to Toledo Public Schools during fiscal year 2012.

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. Deb Ford, Interim Treasurer, Polly Fox Academy, 1505 Jefferson Avenue, Toledo, Ohio 43604.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

Assets:

Current Assets:

| | |
|-------------------------------|----------------|
| Cash and Cash Equivalents | \$ 608,777 |
| Intergovernmental Receivables | 263,395 |
| Prepayments | 5,229 |
| Total Current Assets | <u>877,401</u> |

Non-current assets:

| | |
|---|----------------|
| Capital Assets, Net of Accumulated Depreciation | <u>13,262</u> |
| Total Assets | <u>890,663</u> |

Liabilities:

Current Liabilities:

| | |
|---|----------------|
| Accounts Payable | 887 |
| Accounts Payable to Toledo Public Schools | 252,119 |
| Intergovernmental Payable | 17,110 |
| Accrued Wages and Benefits | 15,757 |
| Accounts Payable to Students | 615 |
| Total Current Liabilities | <u>286,488</u> |

Net assets:

| | |
|--|-------------------|
| Invested in Capital Assets | 13,262 |
| Restricted for: | |
| Restricted for Locally Funded Programs | 94,654 |
| Restricted for State Programs | 8,731 |
| Restricted for Federal Programs | 83,109 |
| Unrestricted Deficit | <u>404,419</u> |
| Total Net Assets | <u>\$ 604,175</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, 2012**

Operating Revenues:

| | |
|--------------------------|----------------|
| Foundation Payments | \$ 867,471 |
| Special Education | 55,311 |
| Charges for Services | 3,988 |
| Other Operating Revenues | <u>2,318</u> |
| Total Operating Revenues | <u>929,088</u> |

Operating Expenses:

| | |
|--------------------------|------------------|
| Salaries | 239,206 |
| Fringe Benefits | 46,371 |
| Purchased Services | 1,192,603 |
| Materials and Supplies | 72,758 |
| Depreciation | 12,070 |
| Other Operating Expenses | <u>45,082</u> |
| Total Operating Expenses | <u>1,608,090</u> |
| Operating Loss | <u>(679,002)</u> |

Non-Operating Revenues:

| | |
|------------------------------|--------------------------|
| Operating Grants - Federal | 289,416 |
| Operating Grants - State | 102,357 |
| Operating Grants - Local | 119,000 |
| Interest | <u>487</u> |
| Total Non-Operating Revenues | <u>511,260</u> |
| Change in Net Assets | (167,742) |
| Net Assets Beginning of Year | <u>771,917</u> |
| Net Assets End of Year | <u><u>\$ 604,175</u></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, 2012

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

| | |
|--|-----------------|
| Cash received from State of Ohio | \$ 937,399 |
| Cash received from Charges for Services | 3,988 |
| Cash Received from Other Operating Sources | 2,318 |
| Cash Payments for Employees for Services | (250,859) |
| Cash Payments for Employee Benefits | (50,667) |
| Cash payments for Purchased Services | (1,283,271) |
| Cash Payments for Materials and Supplies | (72,868) |
| Cash Payments for Other Expenses | <u>(45,342)</u> |

Net Cash Used for Operating Activities (759,302)

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants and Subsidies 738,674

Cash Flows from Investing Activities:

Cash Received from Interest on Investments 487

Net Decrease in Cash and Cash Equivalents (20,141)

Cash and Cash Equivalents at Beginning of Year 628,918

Cash and Cash Equivalents at End of Year \$ 608,777

(Continued)

POLLY FOX ACADEMY
LUCAS COUNTY

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

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

Operating Loss \$ (679,002)

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

| | |
|---|----------|
| Depreciation | 12,070 |
| Changes in Assets and Liabilities: | |
| Increase in Intergovernmental Receivable | (4,117) |
| Decrease in Prepayments | 433 |
| Decrease in Accounts Payable | (9,913) |
| Decrease in Accrued Wages and Benefits | (11,653) |
| Increase in Intergovernmental Payable | 14,328 |
| Decrease in Accounts Payable to Toledo City Schools | (81,188) |
| Decrease in Accounts Payable to Students | (260) |

Total Adjustments

Net Cash Used for Operating Activities \$ (759,302)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 seven 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 Toledo Public Schools (the "Sponsor") for a period of five academic years commencing September 1, 2003. The Academy has entered into 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. During fiscal year 2012, the contract was amended to add an additional year. The current contract is effective through June 30, 2014.

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 eight non-certified staff members and fourteen certified full time teaching personnel who provide services to one hundred forty-one 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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

During fiscal year 2012, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

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 five thousand dollars. 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 benefit periods beyond June 30, 2012, 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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 2012 was \$922,782.

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, State, and Local grants received by the Academy for fiscal year 2012 were \$510,773.

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 2012, the Academy has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Academy.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all Academy deposits was \$241,198. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$250,000 of the Academy's bank balance of \$336,667 was covered by the Federal Deposit Insurance Corporation and \$86,667 was exposed to custodial credit risk.

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, 2012, 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 | <u>\$ 367,579</u> | <u>\$ 367,579</u> |

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, 2012:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | <u>\$ 367,579</u> | <u>100.00</u> |

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2012:

| | |
|--|-------------------|
| <u>Cash and cash equivalents per note</u> | |
| Carrying amount of deposits | \$ 241,198 |
| Investments | 367,579 |
| Total | <u>\$ 608,777</u> |
| | |
| <u>Cash and cash equivalents per statement of net assets</u> | <u>\$ 608,777</u> |

NOTE 5 - RECEIVABLES

At June 30, 2012, receivables consisted of intergovernmental grants and entitlements. All receivables are considered collectible within one year.

| | |
|------------------------------------|-------------------|
| | <u>Receivable</u> |
| SERS refund | \$ 4,117 |
| Ohio Job and Family Services grant | 15,010 |
| Federal food programs grant | 2,829 |
| Education jobs | 27,453 |
| Title VI-B | 12,969 |
| Title II-D | 2,284 |
| Title I school improvement | 31,066 |
| Title I | 139,180 |
| AFL grant | <u>28,487</u> |
| Total | <u>\$ 263,395</u> |

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2012, purchased services expenses were as follows:

| | |
|-------------------------------------|---------------------|
| Professional and technical services | \$ 1,096,749 |
| Property services & rentals | 150 |
| Travel mileage/meeting expense | 9,109 |
| Communications | 7,736 |
| Tuition | 11,857 |
| Transportation services | 29,583 |
| Other purchased services | <u>37,419</u> |
| Total | <u>\$ 1,192,603</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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 8 - CAPITAL ASSETS

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

| | Balance 06/30/11 | Additions | Deductions | Balance 06/30/12 |
|--|---------------------|--------------------|------------|---------------------|
| <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 | (11,504) | \$ (2,485) | | (13,989) |
| Vehicles | (28,755) | (9,585) | | (38,340) |
| Total accumulated depreciation | (40,259) | (12,070) | | (52,329) |
| Capital assets, net | \$ 25,332 | \$ (12,070) | | \$ 13,262 |

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 Public Schools (the "Sponsor") for educational and financial management services. The Academy entered into 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. During fiscal year 2012, the contract was amended to add an additional year. The Academy and Sponsor renewed the contract through June 30, 2014.

Total expenses paid to the Sponsor were \$988,087 of which \$252,119 is recognized as an amount due to the Sponsor at June 30, 2012. The total amount consists of sponsorship fees, which equaled three percent of foundation revenue, of \$10,283, annual fees of \$155,212, and the remaining \$86,624 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 \$600,000 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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 2012, the Academy obtained insurance through broker Hylant Insurance with the following insurance coverage:

| | | |
|--|--|-----------|
| General liability coverage: | | |
| Bodily injury and property damage limit | | 3,000,000 |
| Personal and advertising injury limit | | 3,000,000 |
| General aggregate limit | | 5,000,000 |
| 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 | | 3,000,000 |
| Aggregate | | 5,000,000 |
| Fiduciary liability coverage: | | |
| Each fiduciary claim limit | | 3,000,000 |
| Aggregate | | 5,000,000 |
| Employers' liability (Ohio stop gap): | | |
| Bodily injury by accident | | 3,000,000 |
| Bodily injury by disease | | 3,000,000 |

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was a reduction in coverage from the prior year to fall in line with the requirements of the sponsorship agreement.

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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. 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, under "Employers/Audit Resources".

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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$22,977, \$10,382 and \$10,759, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, 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

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - PENSION PLANS - (Continued)

lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 2012, 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, 2012, 2011 and 2010 were \$124,219, \$156,843 and \$127,167, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$4,481 made by the Academy and \$3,201 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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, under "Employers/Audit Resources".

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$1,862, \$3,012 and \$1,650, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,357, \$668 and \$640, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, 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 2012, 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, 2012, 2011 and 2010 were \$9,555, \$12,065 and \$9,782, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - OTHER EMPLOYEE BENEFITS

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

NOTE 14 - RELATED PARTY TRANSACTIONS

Joan Kuchcinski was a board member of both Polly Fox and Phoenix Academies, both of which are sponsored by Toledo Public Schools. She is employed by Toledo Public Schools. Ms. Kuchcinski resigned from the Polly Fox and Phoenix Academies' boards on December 31, 2011. During fiscal year 2012, Ms. Kuchcinski received \$1,000 in compensation as a board member of 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 is 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, 2012.

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 \$15,930. 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, 2012**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|---|---------------------------|-------------------|-------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| School Breakfast Program | 10.553 | \$ 6,793 | \$ 6,793 |
| National School Lunch Program | 10.555 | 25,132 | 25,132 |
| Total U.S.Department of Agriculture | | 31,925 | 31,925 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | |
| <u>Title I Cluster:</u> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 195,166 | 244,805 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | 102,300 | 107,040 |
| Total Title I Cluster | | 297,466 | 351,845 |
| <u>Special Education Cluster:</u> | | | |
| Special Education_Grants to States | 84.027 | 42,887 | 32,495 |
| ARRA - Special Education_Grants to States | 84.391 | 29,133 | 9,445 |
| Total Special Education Cluster | | 72,020 | 41,940 |
| Safe and Drug-Free Schools and Communities_State Grants | 84.186 | 108 | |
| Educational Technology State Grant | 84.318 | 26 | 726 |
| ARRA - State Fiscal Stabilization Fund | 84.394 | | 35,268 |
| Education Jobs Fund | 84.410 | 23,321 | 38,868 |
| Total U.S. Department of Education | | 392,941 | 468,647 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PUBLIC HEALTH SERVICE | | | |
| <i>Direct Assistance</i> | | | |
| Adolescent Family Life Demonstration Project | 93.995 | 90,000 | 144,363 |
| Total Federal Awards | | \$ 514,866 | \$ 644,935 |

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, 2012**

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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Polly Fox Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2012, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 19, 2013.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

April 19, 2013



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, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs 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.

As described in findings 2012-001 through 2012-003, and 2012-005, in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Allowable Costs/Cost Principles, Period of Availability, and Reporting, applicable to its Title I Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2012. The results of our auditing procedures also disclosed another 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 and questioned costs lists this instance as Finding 2012-007.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-001 through 2012-006 to be material weaknesses.

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

April 19, 2013

**POLLY FOX ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Qualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA # 84.010 and 84.389 Title I Cluster |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Allowable Costs/Cost Principles - Lack of Supporting Documentation and Expenditures in Excess of Allocations

| | |
|------------------------------------|--|
| Finding Number | 2012-001 |
| CFDA Title and Number | CFDA # 84.010 and 84.389 Title I Cluster |
| Federal Award Number / Year | 91-0900-0-1-501 FY 2011 and FY 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation, Material Weakness and Questioned Costs

2 CFR 225, Appendix A, subpart C.1.j. states for a cost to be allowable under Federal awards, costs must be adequately documented. The Academy pays Toledo Public Schools (TPS) for purchased services for personnel, including any related benefits, and for other services provided. TPS invoices the Academy for services provided. The Treasurer reviews these invoices and assigns costs accordingly. The Academy's Principal provides the Treasurer with a list of authorized personnel to charge to the various Federal programs, as well as a maximum salary amount, including benefits. In September of 2011, the Academy made a payment to Toledo Public Schools totaling \$48,626. The check and supporting documentation were missing. Therefore we were unable to determine if the costs were in accordance with allowable costs/cost principles and occurred within the period of availability. (See Finding Number 2012-003 regarding period of availability).

Further, **2 CFR 225, Appendix A, subpart C.1.d.** states for a cost to be allowable under Federal awards, costs must conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items. The Academy's Treasurer authorized payments exceeding the related approved allocation for purchased services from TPS. Based on expenditures made to date for these costs, there was only \$651 available for instruction expenditures; however, the Treasurer charged an additional \$23,584 for these services, resulting in \$22,933 in costs exceeding the approved allocation charged to the FY 2012 Title I award.

As a result of the issues noted above, \$71,559 are considered questioned costs. The table below reflects the amount of the questioned costs from each award within the Title I Cluster.

| <u>Program/Award Year</u> | <u>Questioned Costs</u> |
|---|-------------------------|
| FY 2011 ARRA Title I School Improvement | \$11,356 |
| FY 2011 Title I | 19,288 |
| FY 2011 ARRA Title I | 17,982 |
| FY 2012 Title I | 22,933 |
| Total | <u>\$71,559</u> |

We recommend the Academy maintain supporting documentation for all Federal expenditures, which shows the obligation date(s), specifically identifies the related services or items purchased, as well as all related costs, and authorization information. Further, we recommend Treasurer carefully track grant expenditures and ensure expenditures are within authorized program allocations.

Allowable Costs/Cost Principles

| | |
|------------------------------------|--|
| Finding Number | 2012-002 |
| CFDA Title and Number | CFDA # 84.010 and 84.389 Title I Cluster |
| Federal Award Number / Year | 91-0900-0-1-501 FY 2011 and FY 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation, Material Weakness and Questioned Costs

2 CFR 225, Appendix B, subpart 8.h.4 states,

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

The Academy charged a portion of the salary of the person with the responsibilities of a Principal amounting to \$7,139. Of this amount, \$2,389 of this was charged to the FY 2011 ARRA Title I program, and the remaining \$4,750 was charged to the FY 2011 Title I program. There was no time and effort documentation to support the salary charged to the Title I program as required. Additionally, \$4,127 of this amount was not obligated within the period of availability. (See Finding Number 2012-003 regarding period of availability)

The Academy also charged a portion of the salary and related benefits of the person with the responsibilities of Administrative Coordinator amounting to \$46,244 to the FY 2012 Title I program. There was no time and effort documentation to support the salary charged to the Title I program as required.

As a result of the issues noted above, \$53,383 are considered questioned costs.

2 CFR 225 Appendix B subpart 43a states, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit.

**FINDING NUMBER 2012-002
 (Continued)**

The Academy paid a mileage reimbursement to an employee of both Polly Fox Academy and Phoenix Academy for travel related to an out-of-town conference; employees of both Polly Fox Academy and Phoenix Academy attended the training. The entire amount of the reimbursement was paid out of Polly Fox Academy's Title I funds, instead of being split between the two Academies. Since half of the employees traveling were not employees of the Academy, half of the mileage reimbursement should have been charged to Phoenix Academy, instead of Polly Fox Academy. The Academy charged mileage expenses totaling \$170 to Polly Fox Academy; only \$85 of these costs should have been charged to the Academy. This amount was paid out of the Title I School Improvement Fund for FY 2012.

Further, **2 CFR 225 Appendix B subpart 42 states**, the cost of training provided for employee development is allowable.

The Academy paid for National Conference registrations for Administrators out of Title I funds, including amounts for the Academy's Principal, the Principal's wife (who is not an employee of the Academy), and one of the Academy's Board members. Because these individuals are not Title I employees and do not provide direct services to participating children, they are not eligible to have their registration expenses paid out of Title I funds; further, since the Principal's wife is not an employee of the Academy, no portion of her registration should have been paid with Title I funds. The Academy charged conference registration expenses totaling \$1,225 for administrators and their family members. Reimbursements totaling \$225 were paid back to the Academy for the Principal's wife. The net amount paid for administrators was \$1,000. These amounts were paid out of the Title I School Improvement Fund for FY 2012.

As a result of the issues noted above, \$1,085 are considered questioned costs.

The table below reflects the amount of the questioned costs from each award within the Title I Cluster.

| <u>Program/Award Year</u> | <u>Questioned Costs</u> |
|------------------------------------|-------------------------|
| FY 2011 Title I | 4,750 |
| FY 2011 ARRA Title I | 2,389 |
| FY 2012 Title I | 46,244 |
| FY 2012 Title I School Improvement | 1,085 |
| Total | <u>\$54,468</u> |

We recommend the Academy maintain time and effort documentation for all Academy employees whose salaries, or a portion thereof, are applied to the grant. The documentation should include after-the-fact distribution of the actual activity of each employee, the total activity for which each employee is compensated, must be prepared at least monthly and must coincide with one or more pay periods, and must be signed by the employee performing the work. Additionally, time and effort cannot be based on budget estimates or distribution percentages determined before the services are performed. Lastly, we recommend the Academy carefully review all expenditures to ensure only expenditures that are for a purpose the award permits and meet the allowable cost guidelines are charged to the program.

Period of Availability

| | |
|------------------------------------|--|
| Finding Number | 2012-003 |
| CFDA Title and Number | CFDA # 84.010 and 84.389 Title I Cluster |
| Federal Award Number / Year | 91-0900-0-1-501 FY 2011 and FY 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation, Material Weakness and Questioned Costs

2 CFR section 215.28 states where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

Per the grant agreement, the following periods of availability applied during our audit period:

| <u>Grant</u> | <u>Obligation Period</u> | <u>Final Liquidation Date</u> |
|---|-------------------------------------|-------------------------------|
| FY 2011 Title I and Title I School Improvement | July 1, 2010 – June 30, 2011 | September 30, 2011 |
| ARRA FY 2011 Title I and Title I School Improvement | July 1, 2010 – September 30, 2011 | September 30, 2011 |
| FY 2012 Title I and Title I School Improvement | July 1, 2011 – June 30, 2012 | September 30, 2012 |
| ARRA FY 2012 Title I and Title I School Improvement | March 29, 2012 – September 30, 2012 | September 30, 2012 |

In July 2012, the Academy ordered books in the amount of \$111 and computers in the amount of \$9,300. In September 2012, the Academy paid for Toledo Public Schools purchased services from the month of July 2012 in the amount of \$3,574. Additionally, in August and September 2012 the Academy paid Joan Durgin’s (Administrative Coordinator) salary and related SERS and Medicare payments totaling \$7,961 related to her FY 2013 contract. These expenditures were not obligated at June 30, 2012; however, these expenditures, totaling \$20,946, were charged to the FY 2012 Title I grant.

In September 2011 and October 2011, the Academy paid for training expenses, including speaker fee, travel, and accommodations, totaling \$2,726, out of the FY 2012 ARRA Title I School Improvement grant. The period of availability for the grant did not start until March 29, 2012. Therefore, these expenditures were not incurred during the period of availability.

As a result of the issues noted above, \$23,672 are considered questioned costs. The table below reflects the amount of the questioned costs from each award within the Title I Cluster.

| <u>Program/Award Year</u> | <u>Questioned Costs</u> |
|---|-------------------------|
| FY 2012 Title I | \$20,946 |
| FY 2012 ARRA Title I School Improvement | 2,726 |
| Total | <u>\$23,672</u> |

**FINDING NUMBER 2012-003
 (Continued)**

Additionally, as noted in finding number 2012-001, the Academy paid Toledo Public Schools \$48,626 for purchased services in September 2011. This expenditure was unsupported, therefore we were unable to determine if it met period of availability requirements. Of the amount expended, \$19,288 was charged to the FY 2011 Title I grant, \$11,356 was charged to the FY 2011 Title I School Improvement grant, and \$17,982 was charged to the ARRA Title I grant. These amounts are included in the questioned costs identified in Finding Number 2012-001 above.

Further, a portion of the Principal's salary paid from the FY 2011 Title I grant in the amount of \$4,127 was for FY 2012 salary amounts. This amount is included in the questioned costs identified in Finding Number 2012-002 above.

We recommend the Academy carefully review the period of availability requirements for each grant, and make sure all obligations are made within the period of availability.

Eligibility - Eligibility Determination

| | |
|------------------------------------|--|
| Finding Number | 2012-004 |
| CFDA Title and Number | CFDA # 84.010 and 84.389 Title I Cluster |
| Federal Award Number / Year | 91-0900-0-1-501 FY 2011 and FY 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness

The Academy uses the number of children eligible for free and reduced price lunches to determine the economically disadvantaged status of their students. Forms are provided to all students, to be completed, and returned. The Assistant Treasurer reviews the forms, and determines, if necessary, based on household size and income information provided, if the student meets the income guidelines to receive free or reduced lunch. Students receiving benefits (food stamps, welfare, etc.) are precertified to receive free lunches. Once the determination has been made, the Assistant Treasurer signs the form indicating she performed the determination. These forms are then provided to the EMIS Coordinator who enters the student's information into a list tracking the total number of economically disadvantaged students attending the Academy. The total number of economically disadvantaged students is divided by the total number of students attending the Academy, which is translated into the poverty rate (this number does change throughout the year, as students enroll and withdraw).

For three of the applications selected for testing, we noted no eligibility determination was made, nor was it signed by the Assistant Treasurer. The students were not precertified to receive benefits. However, the students were included on the Academy's Economically Disadvantaged List. The known errors did not impact the Academy's schoolwide status.

We recommend Free and Reduced lunch applications be carefully reviewed, the eligibility determination be made, and the form signed by the individual performing the determination. The student should not be included on the Economically Disadvantaged List unless a properly completed and evaluated application is on file, and the student has been determined to meet the requirements.

Reporting - Graduation Cohort

| | |
|------------------------------------|--|
| Finding Number | 2012-005 |
| CFDA Title and Number | CFDA # 84.010 and 84.389 Title I Cluster |
| Federal Award Number / Year | 91-0900-0-1-501 FY 2011 and FY 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Noncompliance Citation and Material Weakness

34 CFR 200.19(b)(2) states: (i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b) (1) of this section or use, on a transitional basis—(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number of years; or (B) Another definition, developed by the State and approved by the Secretary, that more accurately measures the rate of student graduation from high school with a regular high school diploma. (ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—(A) “Regular high school diploma” has the same meaning as in paragraph (b)(1)(iv) of this section; (B) “Standard number of years” means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and (C) A dropout may not be counted as a transfer.

The Ohio Department of Education (ODE) calculates the Graduation Rate based on information obtained from the Academy obtained through EMIS. Students are assigned to a graduation cohort when they begin the ninth grade or transfer in to the Academy. The only ways to be removed from a cohort are: the student transfers to another school in which they are able to obtain a high school diploma; the student emigrates to another country; or, the student is deceased. In each case, supporting documentation must be obtained and maintained by the Academy to support the withdrawal code used. Students withdrawn due to truancy, who left to obtain a GED, or who were retained, remain in the original cohort. After ODE pulls all applicable data for the graduation rate, a process assigns a status code for each Statewide Student Identifier (SSID); the process also determines whether the student is included in the denominator and the numerator of the graduation rate.

Seventy-one percent of the students selected for testing were excluded from the cohort, but should not have been, since the student was withdrawn due to truancy/non-attendance. ODE noted these students were included in another cohort. Further, the remaining students included in our sample were withdrawn due to transfer to another school district, which is reasonable. However, no official written documentation was on file with the Academy to confirm the student did in fact transfer out. Further, for one of these two students, ODE noted they were included in another cohort; they did not note they were included in another District's graduation rate.

We recommend the Academy contact the Ohio Department of Education for guidance on the proper reporting of students within a cohort. Further, we recommend the Academy obtain written documentation for all students that transfer out of the Academy, emigrate to another country, or are deceased, and maintain this information in the permanent file for each student, to substantiate withdrawal codes in the system.

Approval of Federal Expenditures

| | |
|------------------------------------|--|
| Finding Number | 2012-006 |
| CFDA Title and Number | CFDA # 84.010 and 84.389 Title I Cluster |
| Federal Award Number / Year | 91-0900-0-1-501 FY 2011 and FY 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Material Weakness

The Academy's Principal is responsible for reviewing and authorizing Title I expenditures, to ensure the expenditure is for an allowable program activity, is for an allowable program cost, and is charged to the appropriate grant period. Authorization is noted by the Principal's signature on the supporting purchase requisition.

Thirty-three percent of the transactions selected for testing did not have the prior approval of the Principal. As a result, there was no evidence these expenditures were reviewed for allowability or appropriateness of coding to the proper fiscal year.

Failure to properly review and approve Federal expenditures could lead to unallowable program activities and costs being charged to the grant. Further, it could lead to expenditures being charged to a grant outside of the grant's period of availability. This contributed to the instances of noncompliance and questioned costs identified in Finding Numbers 2012-001 through 2012-003.

We recommend the Principal review all Title I expenditures to determine if the expense is for an allowable program activity, is for an allowable program cost, and to ensure the expenditure is being charged to the appropriate grant period, prior to the expense being made.

FINDING NUMBER 2012-007

Noncompliance Citation

OMB Circular A-133 §.200, Audits of States, Local Governments and Non-Profit Organizations 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 2012 and did not have a single audit or a program-specific audit completed and filed by 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, 2012**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2012-001 | Polly Fox Academy will maintain proper supporting documentation for all Federal expenditures. | Continuous | Ford |
| 2012-001 | Polly Fox Academy will carefully track grant expenditures and make sure they are within authorized program allocations. | Continuous | Ford |
| 2012-002 | Polly Fox Academy will maintain time and effort documentation for all Academy employees whose salaries, or a portion thereof, are applied to the grant. | Continuous | Ford |
| 2012-002 | Polly Fox Academy will review all expenditures to ensure only expenditures that are for a purpose the award permits and meet the allowable cost guidelines are charged to the program. | Continuous | Ford/Cotner |
| 2012-003 | Polly Fox Academy will carefully review the period of availability requirements for each grant, and make sure all obligations are made within the period of availability. | Continuous | Ford/Cotner |
| 2012-004 | Polly Fox Academy will carefully review Free and Reduced lunch applications, will ensure the eligibility determination is properly made, and the form is signed by the individual performing the determination. Only students with a properly completed and authorized application on file who meet the requirements will be included on the Economically Disadvantaged List. | Continuous | Cummings/ Danielski |
| 2012-005 | Polly Fox Academy will contact the Ohio Department of Education and determine how the graduation rate calculation is performed, to ensure all students that should be included in the calculation are included. Further, the Academy will obtain written documentation for all students that transfer out of the Academy, emigrate to another country, or are deceased, and maintain this information in the permanent file for each student, to substantiate withdrawal codes in the system. | Continuous | Danielski |
| 2012-006 | Polly Fox Academy's Principal will review all Title I expenditures to determine if the expense is for an allowable program activity, is for an allowable program cost, and to ensure the expenditure is being charged to the appropriate grant period, prior to the expense being made. | Continuous | Cotner |

| | | | |
|----------|--|---------|------|
| 2012-007 | Polly Fox 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. | 3/31/14 | Ford |
|----------|--|---------|------|

**POLLY FOX ACADEMY
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2011-001 | Ohio Rev. Code § 3314.03 (D) – Sponsor’s monitoring of community school | Yes | |
| 2011-002 | OMB Circular A-133 §.200 – Did not have audit completed within nine month deadline | No | Repeated as Finding 2012-007 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 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 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.

We noted the Academy amended its anti-harassment policy at its meeting on January 23, 2013 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 the Governing Board and Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 19, 2013

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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 9, 2013**