



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 (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2011, 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.

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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.

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



Dave Yost
Auditor of State

May 18, 2011

**POLLY FOX ACADEMY
LUCAS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the Polly Fox Academy's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were \$1,199,339.
- Total Liabilities were \$343,024.
- Total Change in Net Assets was a decrease of \$89,084.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets—as one way to measure the Academy's financial health, or financial position. Over time, increases or decreases in the Academy's net assets—as reported in the Statement of Net Assets—are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Nets Assets and the Statement of Revenues, Expenses and Changes in Net Assets report the activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted state aid and state and federal grants finance most of these activities.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2010?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**POLLY FOX ACADEMY
LUCAS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Table 1 provides a summary of the Academy's net assets for fiscal year 2010 compared to fiscal year 2009:

Table 1 Net Assets		
	2010	2009
Assets		
Current Assets	\$ 1,160,500	\$ 1,284,016
Non-Current Assets	38,839	45,993
Total Assets	1,199,339	1,330,009
Liabilities		
Current Liabilities	343,024	384,610
Total Liabilities	343,024	384,610
Net Assets		
Invested In Capital Assets	38,449	45,603
Restricted for Grants	440,433	71,292
Unrestricted	377,433	828,504
Total Net Assets	\$ 856,315	\$ 945,399

Total assets decreased by \$130,670, which represents a 10.2 percent decrease from fiscal year 2009. Cash and cash equivalents decreased by \$25,587, and total receivables decreased by \$96,572. Total liabilities decreased by \$41,586, which represents a 10.8 decrease from 2009. The Academy's net assets have decreased by \$89,084 due to the decrease in grants receivable. Table 2 shows the changes in net assets for fiscal year 2010 as compared to fiscal year 2009.

**POLLY FOX ACADEMY
LUCAS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Table 2
Change in Net Assets

	2010	2009
Revenues		
Operating Revenues:		
Foundation Payments	\$ 842,120	\$ 954,895
Special Education	60,834	59,078
Extracurricular	1,386	1,610
Other Operating Revenues	138	301
Non-Operating Revenues:		
Federal and State and Local Grants	775,963	813,043
Contributions and Donations	3,661	42,762
Interest	6,947	14,879
Total Revenues	1,691,049	1,886,568
Expenses		
Operating Expenses		
Salaries	237,311	238,666
Fringe Benefits	62,876	51,322
Purchased Services	1,288,964	1,321,442
Materials and Supplies	106,741	47,156
Depreciation	13,118	11,926
Other Expenses	71,123	77,822
Total Expenses	1,780,133	1,748,334
Change in Net Assets	\$ (89,084)	\$ 138,234

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

There was a decrease in revenues of \$195,519 and an increase in expenses of \$31,799. The decrease in revenues was due to foundation revenues, federal grants, and contributions and donations.

The greatest increase in expenses was for materials and supplies. Purchased Services actually decreased by \$32,478.

Capital Assets

The Academy's asset capitalization minimum is \$5,000. The Academy had \$38,449 in capital assets, net of \$27,142 of Accumulated Depreciation.

Current Financial Issues

The Academy was formed in 2003 sponsored by Toledo Public Schools. During the 2009-2010 school year, there were approximately 134 students enrolled in the Academy. The per pupil base formula amount for fiscal year 2010 amounted to \$5,718 per student. The Academy receives its finances from state aide.

**POLLY FOX ACADEMY
LUCAS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's 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 information contact Ms. Rose Butler, Treasurer of Polly Fox Academy, 1505 Jefferson Avenue, Toledo, Ohio 43604.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 900,170
Accounts Receivable	10,628
Intergovernmental Receivables	245,948
Prepaid Items	<u>3,754</u>
Total Current Assets	<u>1,160,500</u>

Non-Current Assets:

Deposits	390
Capital Assets, Net of Accumulated Depreciation	<u>38,449</u>
Total Non-Current Assets	<u>38,839</u>

Total Assets	<u>1,199,339</u>
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Liabilities:

Current Liabilities:

Accounts Payable	12,036
Accounts Payable to Toledo Public Schools	319,197
Accrued Wages and Benefits Payable	11,741
Due to Students	<u>50</u>
Total Current Liabilities	<u>343,024</u>

Net Assets:

Invested in Capital Assets, Net of Related Debt	38,449
Restricted	440,433
Unrestricted	<u>377,433</u>
Total Net Assets	<u><u>\$ 856,315</u></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, 2010**

Operating Revenues:

Foundation Payments	\$ 842,120
Special Education	60,834
Extracurricular Activities	1,386
Other Operating Revenues	138
Total Operating Revenues	<u>904,478</u>

Operating Expenses:

Salaries	237,311
Fringe Benefits	62,876
Purchased Services	1,288,964
Materials and Supplies	106,741
Depreciation	13,118
Other Operating Expenses	71,123
Total Operating Expenses	<u>1,780,133</u>

Operating Loss	<u>(875,655)</u>
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Non-Operating Revenues:

Operating Grants - Federal	615,935
Operating Grants - State	110,028
Operating Grants - Local	50,000
Contributions and Donations	3,661
Interest	6,947
Total Non-Operating Revenues	<u>786,571</u>

Change in Net Assets	(89,084)
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Net Assets Beginning of Year	<u>945,399</u>
Net Assets End of Year	<u>\$ 856,315</u>

See Accompanying Notes to the Basic Financial Statements

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POLLY FOX ACADEMY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 902,954
Cash Received from Other Operating Sources	1,524
Cash Payments to Suppliers for Goods and Services	(1,496,995)
Cash Payments to Employees for Services	(254,793)
Cash Payments for Employee Benefits	(86,683)
<i>Net Cash Used for Operating Activities</i>	<u>(933,993)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants - Federal	702,677
Cash Received from Operating Grants - State	110,028
Cash Received from Operating Grants - Local	50,000
Cash Received from Contributions and Donations	44,718
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>907,423</u>

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	<u>(5,964)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest on Investments	<u>6,947</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(25,587)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>925,757</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 900,170</u></u>

(Continued)

**POLLY FOX ACADEMY
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

Operating Loss \$ (875,655)

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

Depreciation	13,118
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets	
Increase in Accounts Receivable	(10,628)
Increase in Intergovernmental Receivable	(20,599)
Decrease in Prepaid Items	1,357
Increase (Decrease) in Liabilities:	
Decrease in Accounts Payable	(19,984)
Decrease in Accounts Payable to Toledo Public Schools	(162)
Decrease in Due to Students	(750)
Decrease in Accrued Wages Payable	(17,480)
Decrease in Intergovernmental Payable	(3,210)
<i>Total Adjustments</i>	<u>(58,338)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (933,993)</u></u>

See Accompanying Notes to the Basic Financial Statements

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Polly Fox Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades nine through twelve. The Academy is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualifies as an exempt organization under Section 501c(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

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

The Academy operates under the direction of a five member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 8 non-certified and 14 certificated full time teaching personnel who provide services to 134 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash Flows.

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 statements of net assets. The statement of changes in net assets presents 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.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 eligibility requirements have been satisfied. Eligibility requirements include 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 Academy on 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 under Ohio Revised Code Section 5705.391, the Academy must prepare a five year spending plan and submit it to the Ohio Superintendent of Public Instruction.

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.

During fiscal year 2010, investments were limited to 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 Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy does not possess any infrastructure, improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. Restricted Net Assets include restricted for state and federal grants.

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

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 Basic Aid Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2010, the carrying amount of the Academy's deposits was \$533,148 and the bank balance was \$635,878. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2010, \$250,000 was covered by the Federal Depository Insurance Corporation and \$385,878 was exposed to custodial credit risk.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

The Academy's investments total \$367,022 (fair value) that is maintained in a STAR Ohio Account. At June 30, 2010, STAR Ohio received the Standard & Poor's highest credit rating of AAA.

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2010, consisted of receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. The following Intergovernmental Receivables consist of the following grants:

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

4. INTERGOVERNMENTAL RECEIVABLES (Continued)

AFL Grant	\$	153,025
IDEA B		29,482
Title I		42,136
Title IV-A Safe & Drug Free Schools		706
State Retirement Systems		20,599
		245,948
Total Intergovernmental Receivable	\$	245,948

5. CAPITAL ASSETS

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

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/10</u>
Capital Assets Being Depreciation:				
Furniture, Fixtures, and Equipment	\$ 11,703	\$ 5,964		\$ 17,667
Vehicles	47,924			47,924
Total Capital Assets				
Being Depreciated	59,627	5,964		65,591
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(4,439)	(3,533)		(7,972)
Vehicles	(9,585)	(9,585)		(19,170)
Total Accumulated Depreciation	(14,024)	(13,118)		(27,142)
Capital Assets, Net of A/D	\$ 45,603	\$ (7,154)		\$ 38,449

6. 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 the fiscal year ended 2010, the Academy obtained insurance thru broker Hylant Insurance with the following insurance coverage:

General Liability Coverage:

Bodily Injury and Property Damage Limit	\$5,000,000
Personal and Advertising Injury Limit	5,000,000
General Aggregate Limit	7,000,000
Fire Damage Limit-Any one event	500,000
Medical Expense-Any One Person or accident	10,000

Legal Liability Coverage:

Errors and Omissions Injury Limit	5,000,000
Aggregate	7,000,000

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

6. RISK MANAGEMENT (Continued)

Fiduciary Liability Coverage:	
Each Fiduciary Claim Limit	5,000,000
Aggregate	7,000,000
Employers' Liability (Ohio Stop Gap):	
Bodily Injury by Accident	5,000,000
Bodily Injury by Disease	5,000,000

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

B. Workers' Compensation

The Academy pays the state workers' 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.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to 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. The report may be obtained by writing to School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohser.org under *Forms and Publications*.

For the fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute 14 percent of annual covered payroll; 12.78 percent was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal year June 30, 2010, 2009 and 2008 was \$10,759, \$8,070, and \$16,979; 100 percent has been contributed for fiscal year 2010, 2009 and 2008.

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. 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 Web site at www.strsoh.org.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance

For the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008 were \$127,167, \$102,784, and \$2,785 respectively; 100 percent has been contributed for fiscal year 2010, 2009 and 2008.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2010, 1.22 percent of covered payroll was allocated to Health Care and Medicare B Funds. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$1,262.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008, were \$2,290, \$4,264, and \$8,971 respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health 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 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 2010, 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, 2010, 2009 and 2008, were \$9,782, \$7,906, and \$214, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

9. OTHER EMPLOYEE BENEFITS

Most employees of the Academy are employed by Toledo Public Schools. Policies and procedures are approved by the Toledo Public School' Board of Education and are applied to Compensated Absences, Insurance Benefits, and Deferred Compensation of staff purchased from Toledo Public Schools by contract.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

10. 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 (TPS) for educational and financial management services. The Academy has entered a new contract with Toledo Public Schools (the Sponsor) for three years effective July 1, 2008 through June 30, 2011, with two one year renewal periods at the option of the parties. Total expenses paid to TPS were \$1,297,507 of which \$319,209 is recognized as an amount due to TPS at fiscal year ended June 30, 2010. The total amount consists of sponsorship fees equaled to 3 percent of foundation revenues for \$58,148, 2009 annual fees of \$155,212, Administrative charges for \$27,689, and the remaining amount was for purchased services.

The annual fee is paid in the subsequent fiscal year totaling an amount equal to 100% of the Unencumbered Balance of the amount in excess of \$500,000 with exceptions detailed in the Contract with Sponsor. This fiscal year ended June 30, 2010, the Academy did not incur a liability. However, the Academy still owes \$155,212 for fiscal year ended June 30, 2009.

Terms of the contract require TPS to provide the following:

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

11. PURCHASED SERVICES

For the period July 1, 2009 through June 30, 2010, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 1,148,890
Property Services	82,119
Travel Mileage/Meeting Expense	13,266
Communications	4,792
Utilities	8,190
Contracted Craft or Trade Services	535
Transportation Services	4,700
Other Purchased Services	26,472
Total Purchased Services	<u>\$ 1,288,964</u>

**POLLY FOX ACADEMY
LUCAS COUNTY**

**Notes to the Basic Financial Statements
June 30, 2010
(Continued)**

12. OPERATING LEASES – LESSEE DISCLOSURE

The Academy entered into an extended lease for the period August 28, 2009 through August 28, 2010 for \$3,533 per month with the Sponsor to lease space to house the Academy. For the period July 2009 to February 2010 rent expense paid under the lease for the Academy totaled \$28,267. The lease was terminated at the end of February 2010 because the Academy moved to a new building.

The Academy entered into a new lease with Phoenix Academy for school facilities in March 2010 for sixteen months through June 2011 with a one year option to renew annually. The lease requires monthly payments of \$3,500 with an additional 40% of various operating expenses of Phoenix Academy including utilities, telephone, internet, security, and real estate taxes. For the period March to June 2010, the Academy paid \$50,104 in rent expense.

13. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of included herein or on the overall financial position of the Academy at June 30, 2010.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2010, the review resulted in a decrease in funding for \$17,486.

14. RELATED PARTY TRANSACTIONS

Joan Kuchcinski and Joan Reasonover are board members of both Polly Fox and Phoenix Academies that are sponsored by Toledo Public Schools. Both are also employed by TPS.

Ms. Kuchcinski and Ms. Reasonover each received \$1,250 in compensation as board members from the Academy.

**POLLY FOX ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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>			
Child Nutrition Cluster:			
Federal Breakfast Program	10.553	\$ 6,193	\$ 6,193
Federal Lunch Program	10.555	25,584	25,584
Total U.S.Department of Agriculture		31,777	31,777
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	110,252	58,395
Special Education Grants to States	84.027	24,240	38,902
Safe and Drug-Free Schools and Communities State Grant	84.186	682	857
Innovative Education Program Strategies	84.298	8	
Education Technology State Grant	84.318	769	
Improving Teacher Quality State Grants	84.367	1,031	
School Improvement Grants	84.377	300	
State Fiscal Stabilization Fund ARRA	84.394	62,618	53,533
Total U.S. Department of Education		199,900	151,687
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PUBLIC HEALTH SERVICE			
<i>Direct Assistance</i>			
Adolescent Family Life Demonstration Project	93.995	471,000	375,591
Total Federal Awards		\$ 702,677	\$ 559,055

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**POLLY FOX ACADEMY
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 not met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of Polly Fox Academy, Lucas County, (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated May 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 18, 2011.

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

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

Dave Yost
Auditor of State

May 18, 2011



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 (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, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with 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*. Those 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 those 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 those requirements.

As described in finding 2010-004 in the accompanying schedule of findings, the Academy did not comply with requirements regarding Matching applicable to its Adolescent Family Life Demonstration Project major federal program. Compliance with this requirement 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, 2010.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-005.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-004 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated May 18, 2011.

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



Dave Yost
Auditor of State

May 18, 2011

**POLLY FOX ACADEMY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code § 3314.07 (A) states that the expiration of the contract for a community school between a sponsor and a school shall be the date provided in the contract. A successor contract may be entered into pursuant to division (E) of section 3314.03 of the Revised Code unless the contract is terminated or not renewed pursuant to this section.

Ohio Revised Code § 3314.03 (E) requires that upon the expiration of a contract entered into under this section, the sponsor of a community school may, with the approval of the governing authority of the school, renew that contract for a period of time determined by the sponsor, but not ending earlier than the end of any school year, if the sponsor finds that the school's compliance with applicable laws and terms of the contract and the school's progress in meeting the academic goals prescribed in the contract have been satisfactory. Any contract that is renewed under this division remains subject to the provisions of sections 3314.07, 3314.072, and 3314.073 of the Revised Code.

The sponsorship agreement between Polly Fox Academy and Toledo Public Schools, its sponsor, expired as of June 30, 2008. There was no agreed upon sponsor contract throughout fiscal years 2010 and 2009. The board entered a new contract, June 29, 2010 retroactive to July 1, 2008.

The lack of a written sponsorship agreement between Polly Fox Academy and Toledo Public Schools could result in Polly Fox Academy being noncompliant with applicable laws including operating without an approved contract and be required to return all funding back to the Ohio Department of Education. It could also result in poor academic and/or fiscal performance, which could ultimately result in the closure of Polly Fox Academy.

We recommend Polly Fox Academy upon the expiration of a contract with their Sponsor finalize the terms for the renewal of the sponsorship agreement or determine whether an alternative sponsor should be selected. The terms of the contract should be in writing and signed by the appropriate officials of Polly Fox Academy and the Sponsor on a timely basis.

FINDING NUMBER 2010-002

Noncompliance Citation

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

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

During fiscal year 2010, Toledo Public Schools, in its capacity as a sponsor to Polly Fox Academy, failed to monitor Polly Fox Academy in accordance with the aforementioned requirements.

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

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

FINDING NUMBER 2010-003

Material Weakness

Posting of Transactions and GAAP Conversion Process

The Academy should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Academy's financial statements and related disclosures. These procedures should include Governing Board review of the Academy's annual financial report and review the Academy's accounting and financial reporting practices.

Errors were identified in posting activities to the Academy's ledgers, and financial statements resulting in several audit adjustments:

- The Academy recorded refunds of prior year expenses as revenues and expenses for \$6,150 in fiscal year 2010 that were expenses made in fiscal year 2009;
- The Adolescent Family Life Demonstration Project Grant Coordinators salary for \$51,333 was posted to purchased services and should have been posted to salaries.
- The Trial Balance beginning cash numbers did not agree to the Academy's ledgers for various financial statement line items requiring adjustments for \$143,672. The Trial Balance is prepared by the Independent Accounting firm that prepares the Generally Accepted Accounting Principles (GAAP) conversion to recognize accrual accounting.
- Intergovernmental Receivables were overstated by \$362,500 due to determining all grant awards that were approved at the beginning of the fiscal year, including ARRA funds, which by fiscal year end were no longer expected to be received.

- The amount payable to Toledo Public Schools (Sponsor) was overstated by \$68,934 due to the mis-calculation of the liability to Toledo Public Schools for the remaining balance in excess of \$500,000;
- There were several revisions required to the Notes to Financial Statements and Management's Discussion and Analysis.

The failure to record accurate financial activity on the financial statements and in the notes to the financial statements and lack of appropriate Governing Board review and approval could result in material misstatements and inaccurate financial reporting. The accompanying financial statements and the School's accounting system have been adjusted to correct these errors.

We recommend the Treasurer exercise due care in the calculation and preparation of the financial statements and related note disclosures. Further, we recommend the Academy implement review procedures to detect material financial statement errors, including Governing Board review of the Academy's annual report for erroneous information and inaccurate presentation and classification. The Governing Board should document this review in the minutes.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2010-004
CFDA Title and Number	Adolescent Family Life Demonstration Project CFDA # 93.995
Federal Award Year	2010
Federal Agency	Health and Human Services Public Health Services
Pass-Through Agency	None

FINDING NUMBER 2010-004

Noncompliance Citation
Material Weakness
Matching Requirements – Adolescent Family Life Demonstrations Project

Title XX §2005. [300z-4], par c.2. Grants for demonstration projects for services requires that a grant for a demonstration project for services may not exceed –

- (i) 70 per centum of the costs of the project for the first and second years of the project;
- (ii) 60 per centum of such costs for the third year of the project;
- (iii) 50 per centum of such costs for the fourth year of the project; and
- (iv) 40 per centum of such costs for the fifth year of the project.

Non-Federal contributions required by subparagraph (A) may be in cash or in kind, fairly evaluated, including plant, equipment, or services.

The Academy is in it's fourth year of the project and has reported In-kind contributions as it's matching share. The annual continuing application was submitted showing total project costs of \$562,500 of which the grant provided \$375,000. The In-kind contribution submitted with the annual continuing application was for \$187,500 or approximately 33 percent of total project costs. Although the 2010 award was approved by Department of Health and Human Services, Office of Adolescent Pregnancy Programs, this does not meet the 50 percent Matching requirement for the fourth year of the project. Also, the In-kind contribution listing does not include adequate support for each organization that makes in-kind contributions

This could result in possible loss of grant funding in the future for the Academy.

To correct this condition, we recommend management review the matching requirements prior to submitting the annual continuation application and establish procedures to assure that the matching requirements are met. For In-kind matching amounts, each category should be fully supported with the detail for the In-kind amount listed.

FINDING NUMBER 2010-005

Noncompliance Citation

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

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

The Academy expended greater than \$500,000 in Federal awards during fiscal year 2010 and did not have a single audit or a program-specific audit conducted to meet the nine month deadline. The Academy did not receive an extension to this filing requirement.

Officials' Response:

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

**POLLY FOX ACADEMY
LUCAS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-004	The In Kind Match had been approved by federal project staff members. Director of AFL Grant was not aware of the higher In-Kind amount needed. Since this was pointed out by Auditor, the higher In Kind amount has been met with proper backup documentation.	Done	Joan Durgin, Family Life Coordinator
2010-005	We will try to ensure that all information provided to the auditors is complete and support the financial statements.	3/31/12	Rose Butler, Treasurer

**POLLY FOX ACADEMY
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC § 3314.07 (A) Expiration of contract with Sponsor	No	Partially Corrected, Re-issued as Finding 2010-001 in this report.
2009-002	ORC §3314.03 (D) Sponsor's monitoring of Community School	No	Not corrected, Re-issued as Finding 2010-002 in this report.
2009-003	Posting of Transactions and GAAP Conversion Process	No	Not corrected, Re-issued as Finding 2010-003 in this report.
2009-004	OMB Circular A-133 §.200 Filing of A-133 Reports within 90 days	No	Not corrected, Re-issued as Finding 2010-005 in this report.



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
JUNE 14, 2011**