



**Mary Taylor, CPA**  
Auditor of State



**POLLY FOX ACADEMY  
LUCAS COUNTY**

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# Mary Taylor, CPA

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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of Polly Fox Academy, as of June 30, 2009, 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 June 24, 2010, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of federal awards receipts and expenditures is required by 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. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 24, 2010

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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, 2008. 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 \$1,330,009.
- Total Liabilities were \$384,610.
- Total Change in Net Assets was \$138,234.

**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 Activities, 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 Net Assets and the Statement of Activities 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.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

***Statement of Net Assets***

The Statement of Net Assets answers the question, "How did we do financially during 2008?" 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.

Table 1 provides a summary of the Academy's net assets for fiscal year 2009 compared to fiscal year 2008:

Table 1 Net Assets		
	2009	2008
<b>Assets</b>		
Current Assets	\$ 1,284,016	\$ 1,064,991
Non-current Assets	45,993	3,145
Total Assets	1,330,009	1,068,136
<b>Liabilities</b>		
Current Liabilities	384,610	260,971
Total Liabilities	384,610	260,971
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	45,603	3,145
Restricted for Grants	71,292	288,793
Unrestricted	828,504	515,227
Total Net Assets	\$ 945,399	\$ 807,165

Total assets increased by \$261,873, which represents a 24.5 percent increase from fiscal year 2008. Cash and cash equivalents increased by \$174,479, and total receivables increased by \$41,325. Total liabilities increased by \$123,639, which represents a 47 percent increase from 2008. The Academy's net assets increase by 138,234, mainly, due from an increase to Toledo Public Schools for purchased services (teacher's salaries and fringe benefits). New federal programs increased these expenses.



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2009 as compared to fiscal year 2008.

Table 2  
Change in Net Assets

	2009	2008
<b>Revenues</b>		
Operating Revenues:		
Foundation Payments	\$ 954,895	\$ 965,158
Special Education	59,078	14,179
Extracurricular	1,610	213
Other Operating Revenues	301	1,114
Non-Operating Revenues:		
Federal, State, and Local Grants	813,043	402,790
Contributions and Donations	42,762	31,193
Interest	14,879	37,215
<b>Total Revenues</b>	<b>1,886,568</b>	<b>1,451,862</b>
<b>Expenses</b>		
Operating Expenses		
Salaries	238,666	175,643
Fringe Benefits	51,322	47,560
Purchased Services	1,321,442	1,028,810
Materials and Supplies	47,156	70,815
Depreciation	11,926	1,049
Other Expenses	77,822	30,052
<b>Total Expenses</b>	<b>1,748,334</b>	<b>1,353,929</b>
<b>Increase in Net Assets</b>	<b>\$ 138,234</b>	<b>\$ 97,933</b>

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

There was an increase in revenues of \$434,706 and an increase in expenses of \$394,405. Of the increase in revenues, federal, state, and local grant revenue increased by \$410,253.

The expense for purchased services increased by \$292,632 in fiscal year 2009 compared to fiscal year 2008. Salaries and Fringe Benefits increased by \$66,785.

**Capital Assets**

The Academy's asset capitalization minimum is \$5,000. The Academy had \$45,603 in capital assets, net of \$14,024 of Accumulated Depreciation.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**Current Financial Issues**

The Academy was formed in 2003 sponsored by Toledo Public Schools. During the 2008-2009 school year, there were approximately 134 students enrolled in the Academy. The per pupil base formula amount for fiscal year 2009 amounted to \$5,732 per student. The Academy receives its finances from state aide.

**Contacting the Academy's Financial Management**

The 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, 2009**

**Assets:**

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 925,757
Accounts Receivable	41,057
Intergovernmental Receivables	312,091
Prepaid Items	5,111
Total Current Assets	<u>1,284,016</u>

Non-Current Assets:

Deposits	390
Capital Assets, Net of Accumulated Depreciation	45,603
Total Non-Current Assets	<u>45,993</u>

Total Assets	<u>1,330,009</u>
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**Liabilities:**

Current Liabilities:

Accounts Payable	32,020
Accounts Payable to Toledo Public Schools	319,359
Accrued Wages and Benefits Payable	29,221
Due to Students	800
Intergovernmental Payable	3,210
Total Current Liabilities	<u>384,610</u>

**Net Assets:**

Invested in Capital Assets, Net of Related Debt	45,603
Restricted	71,292
Unrestricted	828,504
Total Net Assets	<u>\$ 945,399</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, 2009**

**Operating Revenues:**

Foundation Payments	\$ 954,895
Special Education	59,078
Classroom Fees	1,610
Other Operating Revenues	301
Total Operating Revenues	<u>1,015,884</u>

**Operating Expenses:**

Salaries	238,666
Fringe Benefits	51,322
Purchased Services	1,321,442
Materials and Supplies	47,156
Depreciation	11,926
Other Operating Expenses	77,822
Total Operating Expenses	<u>1,748,334</u>
Operating Loss	<u>(732,450)</u>

**Non-Operating Revenues:**

Operating Grants - Federal	657,753
Operating Grants - State	105,290
Operating Grants - Local	50,000
Contributions and Donations	42,762
Interest	14,879
Total Non-Operating Revenues	<u>870,684</u>
Change in Net Assets	138,234
Net Assets Beginning of Year	<u>807,165</u>
Net Assets End of Year	<u>\$ 945,399</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, 2009**

**Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 1,013,973
Cash Received from Other Operating Sources	3,081
Cash Payments to Suppliers for Goods and Services	(1,297,313)
Cash Payments to Employees for Services	(231,425)
Cash Payments for Employee Benefits	(87,812)

*Net Cash Used for Operating Activities* (599,496)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants - Federal	630,151
Cash Received from Operating Grants - State	131,624
Cash Received from Operating Grants - Local	50,000
Cash Received from Contributions and Donations	1,705

*Net Cash Provided by Noncapital Financing Activities* 813,480

Cash Flows from Capital and Related Financing Activities:

Cash Payments for Capital Acquisitions	<u>(54,384)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest on Investments	<u>14,879</u>
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*Net Increase in Cash and Cash Equivalents* 174,479

*Cash and Cash Equivalents at Beginning of Year* 751,278

*Cash and Cash Equivalents at End of Year* \$ 925,757

(Continued)

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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Operating Loss \$ (732,450)

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

Depreciation	11,926
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets	
Decrease in Accounts Receivable	1,000
Increase in Prepaid	(3,221)
Increase in Deposits	(390)
Increase (Decrease) in Liabilities:	
Increase in Accounts Payable	4,548
Increase in Accounts Payable to Toledo Public Schools	147,825
Increase in Due to Students	125
Increase in Accrued Wages Payable	7,241
Decrease in Intergovernmental Payable	(36,100)

*Total Adjustments* 132,954

*Net Cash Used for Operating Activities* \$ (599,496)

See Accompanying Notes to the Basic Financial Statements

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE ACADEMY 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 Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member 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.

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

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(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 statements of net assets. The statement of revenues, expenses, and 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.

**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.



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

During fiscal year 2009, 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, 2009.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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 fiscal 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.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

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

**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.

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.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At fiscal year end June 30, 2009, the carrying amount of the Academy's deposits was \$559,164 and the bank balance was \$570,794. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2009, \$427,442 was covered by the Federal Depository Insurance Corporation and \$143,352 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.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

The Academy's investments total \$366,593 (fair value) that is maintained in a STAR Ohio Account. At June 30, 2009, STAR Ohio received the Standard & Poor's highest credit rating of AAA.

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental Receivables at June 30, 2009, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. The following Intergovernmental Receivables consist of the following grants:

Adolescent Family Life	\$	196,000
IDEA B		20,965
Title I		93,993
Title V Innovative Programs		8
Title IV-A Safe and Drug Free Schools		531
Title II-D Technology		594
		594
Total Intergovernmental Receivable	\$	312,091

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<b>Balance 06/30/08</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/09</b>
Capital Assets Being Depreciation:				
Furniture, Fixtures, and Equipment	\$ 5,243	\$ 6,460	\$ -	\$ 11,703
Vehicles	-	47,924	-	47,924
Total Capital Assets	5,243	54,384	-	59,627
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(2,098)	(2,341)	-	(4,439)
Vehicles	-	(9,585)	-	(9,585)
Total Accumulated Depreciation	(2,098)	(11,926)	-	(14,024)
Capital Assets, Net of A/D	\$ 3,145	\$ 42,458	\$ -	\$ 45,603

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 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 2009, the Academy obtained insurance thru broker Hylant Insurance with the following insurance coverage:

Commercial General Liability per Occurrence	\$1,000,000
Commercial General Liability Aggregate	3,000,000
Educators Professional Liability	
Per Occurrence	1,000,000
Aggregate	1,000,000
Business Personal Property (\$1,000 deductible)	200,000
Excess Liability:	
Limits of Liability	4,000,000

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.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

The Academy contributes to State Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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 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](http://www.ohser.org) under *Forms and Publications*.

For the fiscal year 2009, 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; 9.09 percent was the portion used to fund pension 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, 2009, 2008 and 2007 was \$8,070, \$16,979 and \$6,887; 100 percent has been contributed for fiscal year 2009, 2008, and 2007.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The Academy participates in 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](http://www.strsoh.org).

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 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, 2009, 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, 2009, 2008, and 2007 were \$102,784, \$2,785, and \$48,835 respectively; 81 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008, and 2007.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employee 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 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 2009, 4.91 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 2009, this amount was \$2,694.

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, 2009, 2008, and 2007, were \$4,264, \$8,971, and \$3,431 respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

**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](http://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 2009, 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, 2009, 2008 and 2007, were \$7,906, \$214, and \$3,431, respectively; 81 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008, and 2007.

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 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's Board of Education and are applied to Compensated Absences, Insurance Benefits, and Deferred Compensation of staff purchased from Toledo Public Schools by contract.

**NOTE 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.

Toledo Public Schools Board passed a Resolution on June 23, 2009 authorizing to negotiate and finalize an Amended and Restated Contract for Community School (the "Amended and Restated Contract"), with the Academy, pursuant to Ohio Revised Code Chapter 3314, for the purpose of extending the term of the Contract through June 30, 2013, and amending certain provisions of the Contract to comply with changes to Chapter 3314 of the Ohio Revised Code enacted since the date of the Contract.

Total expenses to TPS were \$1,205,929 of which \$319,359 is recognized as an amount payable to Toledo Public Schools at fiscal year ended June 30, 2009. The total amount consists of 2009 Sponsorship fees equal to 3 percent of foundation revenues for \$30,640, an annual fee of \$155,212, and the remaining was for purchased services.

The annual fee is paid in the subsequent fiscal year totaling the lesser of: (a) 100 percent of the amount in excess of \$500,000 of the unencumbered general operating fund balance, or (b) the amount of that balance that is in excess of the minimum financial amount required to be eligible to sponsor a community school in the State of Ohio (currently \$500,000). For the fiscal year ended June 30, 2009, the Academy recognized a liability to TPS for its general operating fund balance in excess of \$500,000 of \$155,212.

Terms of the contract require TPS to provide the following:

- All labor, materials, and supervision necessary for the provision of educational services to students, and the management, operation, and maintenance of the Academy;
- Implementation and administration of the Educational Program, including the selection of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs;
- All personnel functions, including professional development for the Academy principal, all instructional personnel, and support staff;
- All aspects of the business administration of the Academy;
- Transportation and food service for the Academy;

**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 10 - MANAGEMENT AGREEMENT (Continued)**

- A projected annual budget prior to each year;
- Detailed statements of all revenues received, from whatever source, and detailed statements of all expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request;
- Annual audits in compliance with state law and regulations' performances, upon request;
- Reports on Academy operations, finances, and students' performances, upon request; and,
- Any Other function necessary or expedient for the administration of the Academy.

**NOTE 11 - PURCHASED SERVICES**

For the period July 1, 2008 through June 30, 2009, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$ 1,230,753
Property Services	45,377
Travel Mileage/Meeting Expense	12,935
Communications	90
Contracted Craft or Trade Services	794
Tuition	330
Transportation Services	2,500
Other Purchased Services	28,663
Total Purchased Services	<u><u>\$ 1,321,442</u></u>

**NOTE 12 - OPERATING LEASES – LESSEE DISCLOSURE**

The Academy entered into an extended lease for the period August 28, 2008, through August 28, 2009, with the Sponsor to lease space to house the Academy. In fiscal year 2009, expense under the lease for the Academy totaled \$41,321 with the last two months of the fiscal year's rent of \$7,067 recognized as Payable to Toledo Public Schools at June 30, 2009.

The lease has been discontinued



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements included herein or on the overall financial position of the Academy at June 30, 2009.

**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 2009, the review resulted in a decrease in funding for \$41,208.

**NOTE 14 – RELATED PARTY TRANSACTIONS**

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

Ms. Kuchcinski and Ms. Reasonover each received \$1,625 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, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Federal Breakfast Program	10.553	\$6,266	\$6,266
Federal Lunch Program	10.555	<u>22,999</u>	<u>22,999</u>
Total U.S.Department of Agriculture		29,265	29,265
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	66,574	103,455
Special Education Grants to States	84.027	28,445	23,294
Safe and Drug-Free Schools and Communities State Grant	84.186	1,801	716
Innovative Education Program Strategies	84.298	645	21
Education Technology State Grant	84.318	879	662
Improving Teacher Quality State Grants	84.367	<u>2,542</u>	<u>2,188</u>
Total U.S. Department of Education		100,886	130,336
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PUBLIC HEALTH SERVICE</b>			
<i>Direct Assistance</i>			
Adolescent Family Life Demonstration Project	93.995	<u>500,000</u>	<u>513,325</u>
<b>Total Federal Awards</b>		<b><u>\$ 630,151</u></b>	<b><u>\$ 672,926</u></b>

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, 2009**

**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 met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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# Mary Taylor, CPA

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 basic financial statements of Polly Fox Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated June 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated June 24, 2010.

### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated June 24, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

June 24, 2010



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 apply to its major federal program for the year ended June 30, 2009. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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.

In our opinion, the Polly Fox Academy complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of other noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2009-004.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated June 24, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

June 24, 2010



**POLLY FOX ACADEMY  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

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

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

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

**FINDING NUMBER 2009-001**

**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. The board approved a contract, pending negotiations between Officials of Polly Fox Academy and Toledo Public Schools however, as of the date of this report, they have yet to finalize a renewed sponsorship agreement.

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 and Toledo Public Schools 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 Toledo Public Schools. The contract should also address the expirations of the contract and terms should be addressed prior to expiration.

**FINDING NUMBER 2009-002**

**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 2009, 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.

**FINDING NUMBER 2009-002 (Continued)**

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 2009-003**

**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 \$163,155 in fiscal year 2009 that were expenses made in fiscal year 2008;
- The amount payable to Toledo Public Schools (Sponsor) was overstated by \$250,740 due to the mis-calculation of the liability to Toledo Public Schools for the remaining balance in excess of \$500,000;
- \$21,185 reported as the Capital Outlay should have been classified as Materials and Supplies;
- There were several revisions required to the Notes to Financial Statements and Management's Discussion and Analysis.

These conditions have resulted in overstatements of revenues, expenditures, receivables, and amounts payable to Toledo Public Schools.

The failure to record accurate financial activity on the financial statements and in the notes and lack of appropriate Governing Board review and approval could result in material misstatements and inaccurate financial reporting.

We recommend due care be exercised 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 2009-004

##### 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 2009 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, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-004	The Academy's management intends to cooperate 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.	June 30, 2010	Rose Butler, Treasurer

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# Mary Taylor, CPA

Auditor of State

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 27, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the school administration semiannually provide the president of the school board a written summary of all reported incidents and post the summary on its web site, if the school has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 Board and Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 24, 2010





Mary Taylor, CPA  
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  
JULY 20, 2010**