

ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY  
SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
YEAR AUDITED UNDER GAGAS: 2009



**Caudill & Associates, CPAs**

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# Dave Yost • Auditor of State

Board of Directors  
Arise Sports Management Academy  
One Elizabeth Place  
Dayton, Ohio 45408

We have reviewed the *Independent Auditor's Report* of the Arise Sports Management Academy, Montgomery County, prepared by Caudill & Associates, CPAs, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Arise Sports Management Academy is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 24, 2012

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**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY, OHIO**

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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants  
Member Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Arise Sports Management Academy  
Montgomery County  
One Elizabeth Place  
Dayton, Ohio 45408

To the Board of Directors:

We were engaged to audit the accompanying financial statements of the business-type activities of Arise Sports Management Academy, Montgomery County, (the School), as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management.

We were not able to obtain sufficient documentation during testing of cash, receipts, expenditures, intergovernmental payables, capital assets, payroll expenses, accounts payable and accrued wages and benefits. Also, we did not obtain a representation letter from the school's management or attorney letter.

Because of the significance of the matters stated in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph for the year ended June 30, 2009.

As discussed in Note 15 to the financial statements, the School closed operations as a result of non-contract renewal from the Sponsor. The School's last day of operation was June 30, 2010. The financial statements do not include any adjustments that might have resulted from the closing.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of the School'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* and should be read in conjunction with this report in considering the results or our engagement.

Arise Sports Management Academy  
Montgomery County  
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our engagement to opine on the financial statements that collectively comprise the School's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The School did not separately account for federal revenues and expenditures, and did not provide adequate documentation to support revenues and expenditures. Therefore, the accompanying schedule of federal awards receipts and expenditures has not been subjected to the procedures applied in the engagement of the financial statements and accordingly we express no opinion on it.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
November 12, 2010



ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

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The management discussion and analysis of the ARISE Sport Management Academy Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

- The School had net assets of \$(204,188) at June 30, 2009.
- Total assets at fiscal year-end were \$293,478 and total liabilities were \$497,666.
- The School had operating revenues for fiscal year 2009 of \$2,247,057 and operating expenses of \$3,002,562.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how the School did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

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Table 1 provides a summary of the School's net assets for fiscal years 2008 and 2009.

(Table 1)			
<b>Net Assets</b>			
	2008	2009	Change
<b>Assets</b>			
Current Assets	\$245,305	\$19,682	(\$225,623)
Capital Assets, Net	217,789	273,796	56,007
<b>Total Assets</b>	<b>463,094</b>	<b>293,478</b>	<b>(169,616)</b>
<b>Liabilities</b>			
Current Liabilities	523,639	497,666	(25,973)
Non-Current Liabilities	5,313	-	(5,313)
<b>Total Liabilities</b>	<b>528,952</b>	<b>497,666</b>	<b>(31,286)</b>
<b>Net Assets</b>			
Invested in Capital Assets	212,476	273,796	61,320
Unrestricted (Deficit)	(278,334)	(477,984)	(199,650)
<b>Total Net Assets (Deficit)</b>	<b>(\$65,858)</b>	<b>(\$204,188)</b>	<b>(\$138,330)</b>

Total assets decreased \$169,616. Total liabilities decreased \$31,286 mainly due to the timing of when invoices were due, which resulted in a decrease in accounts payable from fiscal year 2008. Total net assets decreased \$138,330. Unrestricted net assets decreased by \$199,650 due to an increase in expenditures compared to revenues from foundation payments, the most significant revenue source of the School. Invested in Capital Assets increased from fiscal year 2008 due to the capital assets additions mentioned above. No restrictions were noted.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

Table 2 shows the changes in net assets for fiscal years 2008 and 2009.

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

	2008	2009	Change
<b>Operating Revenues</b>			
State Foundation	\$1,275,702	\$2,230,083	\$954,381
Poverty Based Assistance	34,584	16,974	(17,610)
<b>Total Operating Revenues</b>	<u>1,310,286</u>	<u>2,247,057</u>	<u>936,771</u>
<b>Non-Operating Revenues</b>			
Federal and State Grants	221,830	612,239	390,409
Gifts and Donations	59,419	4,806	(54,613)
Interest	474	130	(344)
<b>Total Non-Operating Revenues</b>	<u>281,723</u>	<u>617,175</u>	<u>335,452</u>
<b>Total Revenues</b>	<u>1,592,009</u>	<u>2,864,232</u>	<u>1,272,223</u>
<b>Operating Expenses</b>			
Salaries	642,946	1,122,272	479,326
Fringe Benefits	172,847	344,774	171,927
Purchased Services	717,149	1,492,699	775,550
Rent	96,837	-	(96,837)
Materials and Supplies	70,427	42,817	(27,610)
Depreciation	40,177	-	(40,177)
Interest and Fiscal Charges	869	-	(869)
<b>Total Expenses</b>	<u>1,741,252</u>	<u>3,002,562</u>	<u>\$1,262,179</u>
<b>Change in Net Assets</b>	(149,243)	(138,330)	10,913
<b>Net Assets (Deficit) at Beginning of Year</b>	83,385	(65,858)	(149,243)
<b>Net Assets (Deficit) at End of Year</b>	<u>(\$65,858)</u>	<u>(\$204,188)</u>	<u>(138,330)</u>

There was an increase in revenues of \$1,272,223 and an increase in expenses of \$1,262,179 from fiscal year 2008. Of the increase in revenues, State foundation money increased by \$954,381. This increase was due to an increase in enrollment in fiscal year 2009.

Salaries increased by \$479,326 from fiscal year 2008. This was due to the increased number of personnel and staff raises. Purchased services, also increased \$775,550 from the prior year. This large increase was primarily due to the fact that the School had a large increase in enrollment which demanded more services to students.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

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**Capital Assets**

At the end of fiscal year 2009 the School had \$273,796 invested in furniture and equipment and vehicles. Table 3 shows fiscal year 2009.

(Table 3)  
**Capital Assets at June 30, 2009**  
**(Net of Depreciation)**

	<u>2009</u>
Leasehold Improvements	78,191
Furniture and Equipment	\$193,503
Vehicles	<u>2,102</u>
Totals	<u><u>\$273,796</u></u>

**Capital Lease**

The School has entered into a capital lease agreement for office equipments. As of June 30, 2009, there were no outstanding payments.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Carl Shye, Treasurer at ARISE Sport Management Academy Community School, One Elizabeth Place, Dayton, Ohio 45408.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
STATEMENT OF NET ASSETS  
June 30, 2009

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**Assets**

**Current Assets:**

Cash and Cash Equivalents	19,682
	<hr/>
Total Current Assets	19,682

**Non-Current Assets:**

Capital Assets:

Depreciable Capital Assets, Net	273,796
	<hr/>

<i>Total Assets</i>	<hr/> 293,478
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**Liabilities**

**Current Liabilities:**

Accounts Payable	393,433
Accrued Liabilities	54,302
Intergovernmental Payable	49,931
	<hr/>

<i>Total Current Liabilities</i>	497,666
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**Net Assets**

Invested in Capital Assets	273,796
Unrestricted	(477,984)
	<hr/>

<i>Total Net Assets</i>	<hr/> <u><u>(\$204,188)</u></u>
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See accompanying notes to the basic financial statements

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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<b>Operating Revenues:</b>	
State Foundation	2,230,083
Poverty Based Assistance	16,974
	<hr/>
<i>Total Operating Revenues</i>	<i>2,247,057</i>
	<hr/>
<b>Operating Expenses:</b>	
Salaries	1,122,272
Fringe Benefits	344,774
Purchased Services	1,492,699
Materials and Supplies	42,817
	<hr/>
<i>Total Operating Expenses</i>	<i>3,002,562</i>
	<hr/>
<i>Operating Income</i>	<i>(755,505)</i>
	<hr/>
<b>Non-Operating Revenues/(Expenses):</b>	
Federal and State Grants	612,239
Gifts and Donations	4,806
Interest Income	130
	<hr/>
<i>Total Non-Operating Revenues</i>	<i>617,175</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(138,330)</i>
	<hr/>
<i>Net Assets (Deficit) at Beginning of Year</i>	<i>(65,858)</i>
	<hr/>
<i>Net Assets at End of Year</i>	<i>(\$204,188)</i>
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See accompanying notes to the basic financial statements

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**Cash Flows Provided by Operating Activities:**

Cash Received from State of Ohio	\$2,504,384
Cash Payments to Employees for Services	(1,491,248)
Cash Payments to Suppliers for Goods and Services	(1,549,309)

<i>Net Cash Used by Operating Activities</i>	(536,173)
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**Cash Flows from Noncapital Financing Activities:**

Federal and State Grants Received	612,239
Gifts and Donations	4,806

Net Cash Provided by Noncapital Financing Activities	617,045
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**Cash Flows for Capital Financing Activities:**

Acquisition of Capital Assets	(56,007)
Payments made on Capital Lease	(5,313)

Net Cash Used for Noncapital Financing Activities	(61,320)
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**Cash Flows for Investing Activities:**

Interest Income Received	130
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Net Cash Provided in investing Activities	130
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<i>Net Increase in Cash and Cash Equivalents</i>	19,682
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<i>Cash and Cash Equivalents at Beginning of Year</i>	-
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<i>Cash and Cash Equivalents at End of Year</i>	\$19,682
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**Reconciliation of Operating Income to Net**

**Cash Provided by Operating Activities:**

Operating Income	(\$755,505)
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**Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:**

Federal and State Subsidies	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable Arise Pete	24,835
Decrease in Intergovernmental Receivable	220,470
Decrease in Accounts Payable	(88,545)
Increase in Accrued Wages and Benefits	37,118
Decrease in Cash Liability	(11,403)
Increase in Intergovernmental Payable	36,857

<i>Total Adjustments</i>	219,332
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<i>Net Cash Used by Operating Activities</i>	(\$536,173)
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See accompanying notes to the basic financial statements

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The ARISE Sport Management Academy Community School (the “School”) is an Ohio Public Benefit Corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 9 through 12. The School, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(C)(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 School’s tax exempt status.

The School was approved for operation under contract with Educational Resource Consultants of Ohio (the Sponsor) commencing August 1, 2006 and ending June 30, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School contracted with Educational Management Alliance and Eaton Computer Company to perform extended educational services. One member of Educational Management Alliance also serves on the School’s Governing Board. The School leases its building from RNS Equities LLC, where one of the partners is also on the School’s governing board. Related party transactions are further discussed in Note 13 to the basic financial statements.

The School operates under the direction of a four-member Governing Board. The School and the Peterson Entrepreneurial Training Enterprise School share the same governing board. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The primary government of the School consists of one fund, several departments and the Board. School programs include general operations and student related activities of the School. The School is associated with the Metropolitan Dayton Educational Cooperative Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 14)

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

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



ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis Of Presentation**

The School'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.

The School uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial positions and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**B. Measurement Focus**

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement 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 assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs.

**C. Basis of Accounting**

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

**D. Revenues – Exchange and Non-exchange Transactions**

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

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

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Expenses**

Expenses are recognized at the time they are incurred.

**F. Cash and Cash Equivalents**

All monies received by the School are maintained in demand deposit accounts. All funds of the School are maintained in these accounts. Total cash is presented as “Cash and Cash Equivalents” on the accompanying statement of net assets.

**G. Capital Assets**

Capital assets are capitalized at cost or estimated historical cost (which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars. The School does not possess any infrastructure. Per the policy at the School, no depreciation is taken in the fiscal year of acquisition. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvement	25 years
Furniture and Equipment	5-30 years
Vehicles	5-10 years

**H. Compensated Absences**

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year-end, taking into consideration any limits specified in the School’s termination policy. The School records a liability for accumulated unused sick leave for all employees with ten years of current service for all positions (including certified and non-certified staff). Since the School has not been in operation for ten years, there is no sick leave benefits liability.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets include federal and State grants restricted to expenditures for specific purposes. The School applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available.

No restricted net assets were reported by the government-wide statement.

**J. Operating Revenues and Expenses**

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

**K. Intergovernmental Revenues**

The School currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. 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 School must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the School on a reimbursement basis.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The review identified an underpayment of \$43,733 to the School for fiscal year 2009.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

**L. 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.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School.

**NOTE 3 – DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. The carrying value of the School's deposits totaled \$19,682, and the bank balance totaled \$58,316, all of which was covered by federal depository insurance; therefore there is no custodial credit risk.

The School has no deposit policy for custodial credit 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 the School 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 secured.

**NOTE 4 – RECEIVABLES**

There were no receivables posted as of June 30, 2009.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009:

	Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009
Capital Assets Being Depreciated:				
Leasehold Improvement	\$ 80,054	\$ -	\$ -	\$80,054
Furniture and Equipment	174,409	56,007	-	\$230,416
Vehicles	3,504	-	-	\$3,504
Total Capital Assets Being Depreciated	<u>257,967</u>	<u>56,007</u>	<u>-</u>	<u>313,974</u>
Less Accumulated Depreciation:				
Leasehold Improvement	(1,863)	-	-	(\$1,863)
Furniture and Equipment	(36,913)	-	-	(\$36,913)
Vehicles	(1,402)	-	-	(\$1,402)
Total Accumulated Depreciation	<u>(40,178)</u>	<u>-</u>	<u>-</u>	<u>(40,178)</u>
Total Capital Assets Being Depreciated, Net	<u>\$217,789</u>	<u>\$ 56,007</u>	<u>\$ -</u>	<u>\$273,796</u>

**NOTE 6 - RISK MANAGEMENT**

**A. Property and Liability**

The School 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. Buildings and contents are covered under Westfield Insurance Company with a \$1,000 deductible. Electronic data processing equipment is covered under Westfield Insurance Company with a \$1,000 deductible. The School carries liability insurance with Westfield Insurance Company of \$1,000,000 single occurrence and \$2,000,000 aggregate.

There have been no significant reductions in insurance coverage from the last fiscal year. Settled claims have not exceeded insurance coverage for the past two fiscal years.

**B. Workers' Compensation**

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008 and 2007 were \$24,963, and \$24,764, respectively; 100 percent has been contributed for fiscal years 2008 and 2007. We could not determine the contribution for 2009.

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

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

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. 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 School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$83,456, \$51,354 and \$24,710 respectively; 100% percent has been contributed for fiscal year 2008, 2007 and 100 percent for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$2,550 by the School and \$2,421 made by the plan members. We could not determine the contribution for 2009.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 8 – POSTEMPLOYEMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School 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.

Funding Policy – State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with the Internal Revenue Code Section 401h. For 2009, 4.16 of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, we could not determine the amount.

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 School's contribution for health care for the fiscal year ended June 30, 2008 was \$3,605, 100 percent has been contributed for fiscal year 2008. We could not determine the contribution for fiscal year 2009.

**B. State Teachers Retirement System**

Plan Description – The District 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. We could not determine the contributions for fiscal year 2009.



ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 9 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining sick leave components are derived from State Laws. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 120 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused sick leave credit, up to a maximum of 120 days for employees.

**B. Medical, Dental, and Vision Benefits**

The School offers medical insurance through Anthem Blue Cross Blue Shield to full-time employees. The contribution to the monthly premium for medical insurance shall be 20% paid by the staff member and 80% paid by the Board. We could not determine monthly premiums for 2009. Monthly premiums for the medical insurance for 2008 are the following:

<u>Type of Coverage</u>	<u>Monthly Premium</u>
Single	\$279
Enrollee plus spouse	\$606
Enrollee plus children	\$515
Family	\$898

**NOTE 10 – OPERATING LEASE**

The School subleases two office facilities from RNS Equities, LLC for school space located at One Elizabeth Place, Dayton Ohio.

The term of the first lease began September 1, 2006 and continues through August 31, 2020. The lease payment is \$9,200 per month and an additional \$506 per month starting March 6, 2007 for a 60 month period to cover tenant improvement costs. Base rent shall increase at the rate of \$.50 per rentable square foot each year.

The term of the second lease began October 15, 2007 and continues through August 31, 2021. The lease payment is \$7,938 per month. Base rent shall increase at the rate of \$.50 per rentable square foot each year.

Monthly rental payment is equally shared between the School and Peterson Entrepreneurial Training Enterprise. For fiscal year 2010 through 2021, minimum rental payments for the School are as follows:

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 10 – OPERATING LEASE (Cont'd)**

Fiscal Year	Amount
2010	119,973
2011	123,025
2012	125,065
2013	127,105
2014	129,145
2015-2019	720,017
2020-2021	395,075
	<u>\$1,739,405</u>

**NOTE 11 – LONG-TERM LIABILITIES – CAPITAL LEASE**

The School entered into a noncancelable lease agreement with Com Doc Inc. for office equipments. The lease is classified as a capital lease that expires in 2010. The equipments are equally shared with the Peterson Entrepreneurial Training Enterprise, as well as the lease payments.

The lease was paid in full in fiscal year 2010.

**NOTE 12 – CONTINGENCIES**

**A. Grants**

The School received 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School 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 of the State, upon which State foundation funding is calculated. The review identified an underpayment that is not reflected in the financial statements in the amount of \$43,733.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**C. Litigation**

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of the right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the School is not presently determinable.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The School contracted with Educational Management Alliance (EMA) to perform extended educational services. One member of EMA also served as the School's superintendent. Total payments made for these services during the fiscal year ended June 30, 2008 were \$100,656. We could not determine the amount paid in fiscal year 2009.

The Governing Board of the School is the same Governing Board as Peterson Entrepreneurial Training Enterprise, with which it shares operating facilities and the related lease, (See Note 10).

**NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

*Metropolitan Dayton Educational Cooperative Association* - The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$9,116 for services provided during the fiscal year 2008. We could not determine the amount paid in fiscal year 2009. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**NOTE 15 – ACCUMULATED DEFICIT/SUBSEQUENT EVENTS**

The School operated with significant deficit spending (disbursements over receipts) during fiscal year 2009. At June 30, 2009, the School's deficit was \$204,188.

As of June 30, 2010, the School sponsor officially closed the School for non-renewal of contract. A closing timetable has been set by the Sponsor in coordination with the Ohio Department of Education, which culminates on June 30, 2010, date on which the School will officially close.

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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**NOTE 16 – COMPLIANCE**

1. Contrary to Ohio Rev. Code Section 117.38 the School's Fiscal Year 2009 report was not filed with the Auditor of State on time, and no notice of availability of the financial report was published.
2. Contrary to Ohio Rev. Code Section 3314.03(A)(11)(d), the School failed to provide the five year projection.
3. Contrary to Ohio Rev. Code Section 121.22, The School failed to provide the Board minutes.
4. Contrary to Ohio Rev. Code Section 3313.64(J), the School failed to provide the student listing.
5. Contrary to Ohio Rev. Code Section 5747.06 and 5747.07, the School failed to remit State Income Tax.
6. Contrary to Title 26: Internal Revenue Code; Subtitle C: Employment Taxes; Chapter 24: Collection of Income Tax at Source on Wages; Sections 3403 and 3404, the School did not provide documentation of payment of federal withholdings.
7. Contrary to Ohio Rev. Code Section 4123.25, the School failed to provide documentation of Bureau of Worker's Compensation payments.
8. Contrary to Ohio Rev. Code Section 149.351, the School failed to provide supporting documentation for cash, receipts, expenditures, intergovernmental payables, capital assets, payroll expenses, accounts payable, and accrued wages and benefits.
9. Contrary to Ohio Admin. Code Section 117-2-02(D)(4)(c), the School did not properly maintain capital asset listings.

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>United States Department of Agriculture</b>				
<i>Passed through the Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	21,999	21,999
National School Lunch Program	LLP4	10.555	46,927	46,927
Total Nutrition Cluster			68,926	68,926
Total United States Department of Agriculture			68,926	68,926
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education - Grants to States	6BSF	84.027	23,530	23,530
Special Education Cluster Total			23,530	23,530
Title I Grants to Local Educational Agencies	C1S1	84.010	231,559	231,559
Innovative Education Programs Strategies	C2SI	84.298	174	174
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	64	64
School Improvement Grant	N/A	84.377	58,000	58,000
Educational Technology State Grants	TJS1	84.318	43	43
Improving Teacher Quality State Grants	TRS1	84.367	11,000	11,000
Charter Schools	N/A	84.282	190,000	190,000
Total United States Department of Education			514,370	514,370
<b>Total Federal Awards</b>			<b>\$ 583,296</b>	<b>\$ 583,296</b>

NA - Pass Through Entity Number is Not Available  
See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE A - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.



## Caudill & Associates, CPAs

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Arise Sports Management Academy  
One Elizabeth Place  
Dayton, Ohio 45408

To the Board of Directors:

We were engaged to audit the financial statements of Arise Sports Management Academy, Montgomery County, (the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2010, which was disclaimed for lack of evidential matter regarding cash, receipts, expenditures, intergovernmental payables, capital assets, payroll expenses, accounts payable and accrued wages and benefits. Also, we did not obtain a written representation letter, or Attorney letter and we noted that there was substantial doubt about its ability to continue as a going concern.

#### **Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 and responses we identified certain deficiencies in internal control over financial reporting, that we consider being material weaknesses and other deficiencies we consider being significant deficiencies.

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 school's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-009, 2009-013 through 2009-015, described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-005 through 2009-008, 2009-010 through 2009-0012, and 2009-016 to be significant deficiencies.

Arise Sports Management Academy  
Montgomery County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-007, 2009-009, and 2009-013.

This report is intended solely for the information and use of management, Board members, School's sponsor, federal awarding agencies, pass-through entities and others within the District. We intend it for no one other than these specified parties.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

November 12, 2010





## Caudill & Associates, CPA's

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### **Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Arise Sports Management Academy  
Montgomery County  
One Elizabeth Place  
Dayton, OH 45408

To the Board of Directors

#### **Compliance**

We were engaged to audit the compliance of the Arise Sports Management Academy, Montgomery County, Ohio (“the School”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The summary of auditor’s results section of the accompanying schedule findings and questioned costs identifies the School’s major federal programs. The School’s management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable with each major federal program.

We were not unable to obtain sufficient documentation supporting the compliance of Arise Sports Management Academy regarding Title I and the Charter School Grant, nor were we able to satisfy ourselves as to the School’s compliance with those requirements by other auditing procedures.

Because of the significance of the matters stated in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, and opinion on Title I and the Charter School Grant referred to in the first paragraph for the year ended June 30, 2009.

#### **Internal Control Over Compliance**

The School’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 School’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 opining on 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 School’s internal controls over compliance.

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

Arise Sports Management Academy  
Montgomery County

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-017 through 2009-019 to be material weaknesses.

This report is intended solely for the information and use of the School's management, Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
November 12, 2010

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Disclaimer
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the Financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Disclaimer for Title I Grants to Local Educational Agencies (CFDA # 84.010)  Disclaimer for Charter Schools (CFDA 84.282)
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies (CFDA # 84.010)  Charter Schools (CFDA 84.282)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

---

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

*Finding No.2009-001*

*Non-Compliance Citation – Failure to file report in accordance with ORC Section 117.38*

Financial information is vital to an organization’s management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and the schedules used to make these management decisions.

The Ohio Revised Code Section 117.38 mandates that GAAP-basis entities must file their reports with the Auditor of State within 150 days of the entity’s end of the year. In addition the public office must publish a notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.

The School’s Fiscal Year 2009 report was not filed with the Auditor of State on time, and no notice of availability of the financial report was published.

The School should ensure that its financial reports are timely filed with the Auditor of State. In addition, the School should ensure that notice of availability of the financial reports are published in the newspapers are required by the Ohio Revised Code.

**Client Response:**

The School made no response.

*Finding No.2009-002*

*Non-Compliance Citation – Failure to file five year projection in accordance with ORC Section 3314.03(A)(11)(d)*

Financial projection is vital to an organization’s management in its continual effort to effectively make decisions to guide the organization. .

The Ohio Revised Code Section 3314.03(A)(11)(d) Community Schools must prepare five year projections of revenues and expenditures. It must be approved by the board of director’s and submitted to the Department of Education no later than October 31 of any fiscal year.

The school did not provide documentation of the five year projection for auditing purposes.

The School should implement procedures to assure compliance to federal and state filing requirements.

**Client Response:**

The School made no response.

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

---

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

*Finding No.2009-003*

*Non-Compliance Citation – Failure to provide minutes in accordance to ORC Section 121.22*

Ohio Rev. Code Section 121.22 states all meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body must be present at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of regular or special meetings of any public body shall be promptly recorded and open to public inspection. The minutes need only to reflect the general subject matter of discussions in executive sessions.

Board minutes were not presented for audit for seven months of the audit period.

Failing to provide all of the School's minutes could result in confusion and doubt of the actions approved and not approved by the officials at meetings held to conduct school business. The School should promptly record and make all minutes available for public inspection.

**Client Response:**

The School made no response.

*Finding No.2009-004*

*Noncompliance Citation – Failure to provide documentation for student listing.*

Ohio Rev. Code Section 3313.64(J) states that the Treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of this report, the superintendent shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount requires to be paid by the state.

The School presented no documentation to support the student listing as required by Ohio Rev. Code Section 3313.64(J).

The School failing to present the adequate reports to substantiate the student listing results in being non-compliant with Ohio Rev. Code Section 3313.64(J).

The School should ensure that the required documents are prepared and filed timely and presented to the auditors and Federal and State Regulatory bodies upon request.

**Client Response:**

The School made no response.

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

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

*Finding No.2009-005*

*Noncompliance Citation/Significant Deficiency - Ohio Rev. Code Sections 5747.06 and 5747.07*

The Ohio Revised Code Section 5747.06 requires every employer to deduct and withhold from employees' compensation, a state income tax. Ohio Revised Code Section 5747.07 requires an employer to make the payment of un-deposited taxes each quarter of the year.

No documentation was provided that indicated that the School remitted its State Income Taxes each quarter as required.

Failure to remit the state tax withholding will result in the assessment of penalties and interest against the School.

The Treasurer should submit payments on a timely basis to avoid the unnecessary expenditure of public funds for late fees.

**Client Response:**

The School made no response.

*Finding No.2009-006*

*Noncompliance Citation/Significant Deficiency – Title 26: Internal Revenue Code; Subtitle C: Employment Taxes; Chapter 24: Collection of Income Tax at Source on Wages; Sections 3403 and 3404.*

Section 3403, Liability for Tax, states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter and shall not be liable to any person for the amount of any such payment.

Section 3404, Return and Payment by Governmental Employer, states that if the employer is in the United States, or a State, or a political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or the District of Columbia, or of such agency or instrumentality, as they case may be, having control of the payment of such wages, or appropriately designated for the purpose.

No documentation was provided that indicated that the School remitted its federal income taxes on a timely basis.

Failure to remit withholdings federal income taxes may result in the assessment of fines, penalties, and interest by the IRS.

We recommend the School remit taxes on a timely basis to avoid the unnecessary expenditure of public funds for fines, penalties, and interest.

**Client Response:**

The School made no response.

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

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

*Finding No.2009-007*

*Noncompliance Citation/Significant Internal Control Deficiency – Payroll Records*

Documentation of coverage under the Bureau of Worker’s Compensation was not presented for audit.

Ohio Revised Code 4123.25 states that no employer shall knowingly misrepresent to the Bureau of Worker’s Compensation the amount of classification of payroll upon which the premium under this chapter is based. Whoever violates this division shall be liable to the state in an amount determined by the administrator of worker’s compensation for not more than ten times the amount of the difference between the premium paid and the amount the employer should have paid. The liability to the state under this division may be enforced in a civil action in the name of the state, and all sums collected under this division shall be paid into the state insurance fund.

The School should process the Bureau of Worker’s Compensation reports in an accurate and timely manner based on the payroll expenditures and proper job classifications.

**Client Response:**

The School made no response

*Finding No.2009-008*

*Significant Internal Control Deficiency – Failure to obtain and maintain employee contracts*

No employee contracts were provided for testing purpose.

All employees of the School should be approved by the governing board and the hiring should be recorded in the board minutes including the salary rate and period of employment. Additionally, employment contracts should be prepared and signed by the employee and the appropriate School officials.

Procedures should be developed and implemented to provide that all potential employees are approved by the Board prior to beginning work and that formal contracts, including salary rates and other expectations, are prepared and signed by both employee and School officials.

**Client Response:**

The School made no response

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
(CONTINUED)**

*Finding No.2009-009*

*Noncompliance Citation/Material Weakness – Failure to maintain adequate supporting documentation of cash, receipts, expenditures, intergovernmental payables, capital assets, payroll expense, accounts payable and accrued wages and benefits*

Ohio Rev. Code Section 149.351 states all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under the Ohio Rev. Code Section 149.41. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Adequate supporting documentation is a key control in the receipts, disbursements and accrued liability process to determine if expenditures are for their intended use and in the control process of recording of liabilities of accrued wages and benefits.

In 2009, the School failed to provide the following documentation, resulting in an inability to audit these areas:

- Cash
- Receipts
- Expenditures
- Intergovernmental payables
- Capital Assets
- Payroll Expenses
- Accounts Payable
- Accrued Wages and Benefits

No pay-ins receipts were provided for revenues, and limited testing of revenues to confirmation only. Finally cash balance at year end could not be verified because of lack of subsequent bank statements and confirmations from financial institutions were not received.

The lack of adequate supporting documentation could result in funds being spent on unauthorized purchases, incorrect amounts being paid, duplication of payments and payments made to fictitious vendors and employees. The School should require that original invoices or contractual agreements be submitted and attached to the voucher before payment is made. In addition, the School should ensure that purchase orders are properly issued and approved prior to contracting or acquiring goods and services as required by the School's purchasing policy.

The School should also take steps to insure that all transactions and journal entries have adequate supporting documentation. As well, all bank statements and deposit slips should be maintained to serve as supporting documentation for the financial transactions of the School.

**Client Response:**

The School made no response.



**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

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

*Finding No.2009-010*

*Significant Internal Control Deficiency – Excessive Overdraft Charges*

The School disbursed numerous charges during the audit period for overdraft and NSF bank charges.

The School should not disburse payments without proper funding in place to support the disbursement.

By disbursing checks without proper funds to cover them, the School is expending unnecessary and excessive amounts of money in the form of bank charges.

The School should ensure that disbursements are only made when funding is available.

**Client Response:**

The School made no response

*Finding No.2009-011*

*Significant Internal Control Deficiency – Cash Controls*

The treasurer performed monthly cash reconciliations; however, the Board of Directors did not sign off on the reconciliations. Therefore, there was no evidence of their review and approval of the cash transactions performed by the treasurer.

During testing, it was noted that several copies existed of the same cash reconciliation with dissimilar amounts. Neither was approved nor signed by the Board.

Failure by the Board of Directors to review and approve all cash transactions compromises the internal control environment of the School.

The School should develop and adopt appropriate procedures to ensure that cash transactions are consistently reviewed and approved.

**Client Response:**

The School made no response.

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

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

*Finding No.2009-012*

*Significant Internal Control Deficiency – Segregation of Duties*

In an entity the size of the School, it is usually not cost effective to employ the basic internal accounting controls necessary to provide management with a reasonable assurance that all related procedures are functioning properly. The Treasurer is responsible for all functions relating to the accounting records.

Without proper separation of duties, there is the possibility that errors or irregulars could occur and not be detected in a timely period.

To strengthen internal accounting and administrative controls, we recommend that a finance committee be appointed, comprised of members of the Board, to periodically review monthly financial statements to determine; whether proper accounting procedures are being followed; and that the bank reconciliations, cash journal and ledgers support the statements submitted.

In addition to performing such a review, officials' signatures or initials should be affixed to the documents reviewed, and notation of such review and the results thereof should be noted in the School minutes.

**Client Response:**

The School made no response.

*Finding No.2009-013*

*Noncompliance citation/Material Weakness – Failure to maintain a capital assets listing*

Capital assets were not properly recorded in the School's financial system and, therefore, were not accounted for correctly on the School's financial statements. As well, the asset records maintained by the school did not agree to the accounting system. The asset records did not contain voucher numbers, location or tag number.

Ohio Amin. Code Section 117-2-02(D)(4)(c) states, that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type, (land, building, vehicle, etc.), asset description, location, and tag number.

Without the proper classification and recording of assets and depreciation expense, the School's financial statements may be misstated.

The School should review all equipment purchases, equipment lease agreements, and substantial improvements to the physical building to determine the proper classification. Properly accounting for, and reporting on, capital assets provides accountability as well as information for making key decisions related to asset maintenance and replacement.

**Client Response:**

The School made no response

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

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

*Finding No.2009-014*

*Material Weakness – Failure to properly post receipts and disbursements*

All receipts and disbursements should be posted in accordance with the Auditor of State account codes and in the proper object class.

During 2009, there were numerous errors in the posting of receipts and disbursements, including improper account coding.

Failure to accurately post receipts to the correct funds could result in a material misstatement of the financial statements.

The School should implement procedures to ensure that all receipts and disbursements are posted to the correct fund and maintain supporting documentation on all entries.

**Client Response:**

The School made no response.

*Finding No.2009-015*

*Material Weakness – Bank Reconciliation Discrepancy*

Monthly bank reconciliations should be performed accurately and consistently presented to the Board of Directors and documented in the minutes. Also, the corresponding ledgers should be updated to reflect the reconciliation. Inaccurate monthly reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

The end of fiscal year bank reconciliation did not agree to the general ledger or balance sheet. As well, outstanding checks at year end could not be traced to the subsequent bank statements.

The school's inability to get the books in balance with the bank may result in a misstatement of the balance sheet.

**Client Response:**

The School made no response.

**ARISE SPORTS MANAGEMENT ACADEMY**  
**Montgomery County**  
*Schedule of Findings & Questioned Costs*  
*June 30, 2009*

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

*Finding No.2009-016*

*Significant Internal Control Deficiency – Going Concern*

During the audit period, the school failed to make timely payments to vendors, Federal Taxing Agencies, and State Taxing Agencies. Also, the School paid excessive overdraft charges, and maintained a negative fund balance periodically throughout the year.

These actions indicate that the school is in distress and going concern may be doubtful. By these actions the school risks late charges, penalties and possible litigation issues.

We recommend that the school make timely payments, restructure debt properly, and create an effective plan to strengthen the ability of the school to operate.

**Client Response:**

The School made no response.

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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**FINDING NUMBER 2009-017**

<b>CFDA Title Number</b>	<b>84.010 Title I 84.282 Charter School Grant</b>
<b>Federal Award Number/Year</b>	<b>2009</b>
<b>Federal Agency</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Education</b>

**Noncompliance/Material Weakness/Questioned Cost-Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Level of Effort and Earmarking, Period of Availability of Federal Funds, Procurement and Suspension and Debarment, and Reporting**

**2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A(2)(a)(2)** states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

**2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section C(1)(j)** also provides that for a cost to be allowable, the expenditure must be adequately documented.

**OMB Circular No. A-133, Section .105** defines questioned costs, in part, as a cost that is questioned by the auditor because of an audit finding where the costs, at the time of the audit, are not supported by adequate documentation.

**OMB Circular No. A-133, Section .300** states that the auditee shall:

- a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and awards identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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**FINDING NUMBER 2009-017 (Cont'd)**

- d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with OMB Circular A-133, Section .310.

**OMB Circular No. A-133 Section .310(b)** states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

Due to the following deficiencies, we could not determine if funds were reported or expended in accordance with each of the Federal program requirements.

- ❖ The School did not provide a Schedule of Federal Awards Receipts and Expenditures.
- ❖ The School did not segregate the federal funds on their financial records thus federal funds were commingled.
- ❖ The School did not provide a list of Expenditures applicable to each program to support the amount reimbursed or requested through the Department of Education.
- ❖ Final Expenditure Reports (FER), required by the Department of Education, were not supported with documentation.
- ❖ The School was unable to provide supporting documentation for grant expenditures and therefore we are questioning amounts equal to the Federal awards received during the year ended June 30, 2009 as follows:

Title I	\$231,559
Charter School Grant	\$190,000

We were unable to determine if the School complied with maintenance and level of effort requirements, period of availability requirements, or procurement and suspension and debarement requirements due to the School not providing a Federal Schedule of Receipts and Expenditures.

We were unable to determine if the School limited cash requests to the amounts needed or if the School reported the total award expenditure amounts on a cash basis because the School did not maintain a running balance of the funds available. The School did not segregate the federal funds on their financial records, thus the federal funds were commingled.

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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**FINDING NUMBER 2009-017 (Cont'd)**

We recommend that the School:

1. Segregate their federal funds on their financial records by using an accounting program that is specifically for School use.
2. Ensure proper reporting of federal receipts and expenditures and maintain an accurate Schedule of Federal Receipts and Expenditures.
3. Maintain and provide adequate documentation of support of all federal expenditures and comply with all requirements of the grant agreements.
4. Establish and maintain effective controls over their Federal Programs.

Failure to identify federal funds, provide adequate documentation, establish controls, and comply with grant requirements, resulted in questioned costs and potential loss of federal financial assistance.

**FINDING NUMBER 2009-018**

<b>CFDA Title Number</b>	<b>84.010 Title I 84.282 Charter School Grant</b>
<b>Federal Award Number/Year</b>	<b>2009</b>
<b>Federal Agency</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Education</b>

**Noncompliance/Material Weakness – Allowable Costs, Earmarking, Reporting**

The Ohio Department of Education established grant guidelines includes the following requirements:

- 1) 10% RULE – Entities may expend up to 10% more than approved in the budget for an Object Code Total without submitting a budget revision (e.g., the total amount approved for salaries, object code 100, is \$1,000.00 – entities may spend up to \$1,100.00). This authority does not permit unauthorized expenditures. (34 C.F.R. Section 80.30)
- 2) All amounts reported on the FER must reconcile to the districts or agency’s accounting system used to prepare annual financial statements.

**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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**FINDING NUMBER 2009-018 (Cont'd)**

Contrary to the above requirements, the School did not provide Consolidated Final Expenditure Report (FER) for the all of its grants. We were unable to determine if the grants reconciled to the accounting system used to prepare the annual financial statements or determine if the totals reported by object were within 10% of the budgeted amounts. We were also unable to determine if the School complied with period of availability requirements due to the lack of documentation for expenditures.

**Further, 34 C.F.R. Section 80.43(a)** states, “If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances:

1. Temporarily withhold cash payments pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency,
2. Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
3. Wholly or partly suspend or terminate the current award for the grantee’s or subgrantee’s program,
4. Withhold further awards for the program, or
5. Take other remedies that may be legally available.

To achieve compliance with these requirements, we recommend that the Treasurer maintain documentation of the review the Final Expenditure Report for each grant prior to its being submitted by the School and compare that report to the actual expenditures recorded in the expenditure ledgers. We also recommend the School provide a breakdown of expenditures by object. Furthermore, we recommend the School develop and maintain effective controls over all grant requirements.

**FINDING NUMBER 2009-019**

<b>CFDA Title Number</b>	<b>84.010 Title I 84.282 Charter School Grant</b>
<b>Federal Award Number/Year</b>	<b>2009</b>
<b>Federal Agency</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Education</b>

**Noncompliance/Material Weakness – Allowable Activities, Cash Management, Reporting, Equipment and Real Property Management**

**2 C.F.R. Part 225 (formally known as OMB Circular A-87), Appendix A, Section A(2)(a)(2)** states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. **Appendix A, Section C(1)(j)** also provides that for a cost to be allowable, the expenditures must be adequately documented.



**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
*OMB CIRCULAR A-133 §.505*  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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**FINDING NUMBER 2009-019(Cont'd)**

**OMB Circular A-133, Section .105** defines questioned costs, in part, as a cost that is questioned by the auditor because of an audit finding where the costs, at the time of the audit, are not supported by adequate documentation.

**OMB Circular A-133, Section .300** states that the auditee shall:

- Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The School did not maintain effective internal control over compliance with the requirements for allowable cost, and cash management. Controls could not be documented or tested.

- No documentation was maintained that indicated the amount and purpose of payroll charged to the grants.
- No documentation was maintained that indicated travel and lodging expenses were allowed, approved or required.
- No documentation was maintained that supported the amounts requested for drawdowns.
- No documentation was maintained to indicate that reporting requirements were met.
- No documentation was maintained to indicate that the grant was properly closed.
- No documentation was maintained to indicate equipment and real property was properly managed.

We recommend the School maintain and provide adequate documentation in support of all federal expenditures and comply with all requirements of the grant agreements and establish and maintain effective controls over the federal programs.

Failure to provide adequate documentation, establish controls and comply with grant requirements, resulted in questioned costs and potential loss of federal assistance.

**Client Response To Above Findings:**

The School made no response.
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**ARISE SPORTS MANAGEMENT ACADEMY  
MONTGOMERY COUNTY, OHIO  
JUNE 30, 2009**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-001	Failure to file report in accordance with ORC Section 117.38	No	Reissued as finding # 2009-001
2008-002	Failure to maintain adequate supporting documentation for expenditures	No	Reissued as finding #2009-009
2008-003	Failure to maintain a capital asset listing	No	Reissued as finding # 2009-013
2008-004	Failure to obtain and maintain employee contracts	No	Reissued as Finding # 2009-008
2008-005	Failure to provide documentation of BWC payments	No	Reissued as finding #2009-007
2008-006	Failure to properly post intergovernmental revenue	No	Reissued as finding # 2009-014



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Arise Sports Management Academy  
Montgomery County  
One Elizabeth Place  
Dayton, Ohio 45408

To the Board of Directors

Ohio Revised Code Section 117.53 states that "the auditor of state shall identify whether the school district or community 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 Arise Sports Management Academy, Montgomery County, (the School District) has adopted an anti-harassment policy in accordance with Ohio Revised 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 did not note the date the anti-harassment policy was adopted.
2. We read the policy, noting it included the following requirements from Ohio Revised 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 shall include the definition in division (A) of Ohio Revised Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that the school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 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;

Arise Sports Management Academy  
Montgomery County  
Independent Accountant's Report on Applying Agreed Upon Procedures

- 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 of the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district 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 of Directors and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
November 12, 2010



# Dave Yost • Auditor of State

**ARISE SPORTS MANAGEMENT ACADEMY**

**MONTGOMERY 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 7, 2012**