



Dave Yost • Auditor of State



RISE AND SHINE ACADEMY  
LUCAS COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position .....	7
Statement of Revenues, Expenses, and Changes in Net Position .....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements .....	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	21

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Rise and Shine Academy  
Lucas County  
3248 Warsaw Street  
Toledo, Ohio 43608

To the Governing Board:

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of Rise and Shine Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The Academy's salaries and wages are \$71,473 on the Academy's Statement of Revenues, Expenses, and Changes in Net Position, which represents 17 percent of the expenditures as of June 30, 2014. We were not provided employment contracts, time cards, and withholding information for the Academy's employees. As a result, we were unable to carry out appropriate audit procedures to obtain sufficient and appropriate audit evidence to substantiate salary and wages expense of the Academy as of June 30, 2014.

***Disclaimer of Opinion***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 14, 2015

**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The management's discussion and analysis of the Rise and Shine Academy (the "Academy") financial performance provides an overall review of Academy's financial activities for fiscal year 2014, which was the first year of operation for the Academy. The intent of this discussion and analysis is to look at Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of Academy's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position was a deficit of \$35,310 at June 30, 2014.
- The Academy had operating revenues of \$363,715, operating expenses of \$422,524 and non-operating revenues of \$23,499 for fiscal year 2014. Total change in net position for the Academy's initial period of operation was a decrease of \$35,310.

**Using the Basic Financial Statements**

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

**Reporting Academy's Financial Activities**

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

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Since this is the first year that Academy has prepared financial statements, comparison with the prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of Academy's net position at June 30, 2014.

<b>Net Position</b>	
	<u>2014</u>
<b><u>Assets</u></b>	
Current assets	<u>\$ 28,678</u>
<b><u>Liabilities</u></b>	
Current liabilities	<u>63,988</u>
<b><u>Net Position</u></b>	
Unrestricted (deficit)	<u><u>\$ (35,310)</u></u>

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2014, the Academy's net position was a deficit of \$35,310.

Current assets include the Academy's demand deposit account and intergovernmental receivables. Current liabilities include accounts payable due to vendors for goods and services, accrued wages, pension obligations and amounts due to other governments.



**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2014.

**Change in Net Position**

	<u>2014</u>
<b><u>Operating Revenues:</u></b>	
State foundation	\$ 362,319
Other	<u>1,396</u>
Total operating revenue	<u>363,715</u>
<b><u>Operating Expenses:</u></b>	
Salaries and wages	71,473
Fringe benefits	3,537
Purchased services	323,327
Materials and supplies	16,844
Other	<u>7,343</u>
Total operating expenses	<u>422,524</u>
<b><u>Non-operating Revenues:</u></b>	
Federal and State operating grants	23,399
Contributions and donations	<u>100</u>
Total non-operating revenues	<u>23,499</u>
Change in net position	(35,310)
Net position at beginning of year	<u>-</u>
Net position (deficit) at end of year	<u>\$ (35,310)</u>

Fiscal year 2014 was the first year of operation for Academy. The Academy had 54 students. The Academy is reliant upon State foundation revenue to support operations.

Salaries and wages and purchased services are the largest expenses of the Academy. The purchased services expenses were primarily paid to the Sponsor for fiscal and personnel services.

**Capital Assets and Long-Term Obligations**

The Academy had no capital assets or long-term obligations at June 30, 2014.

**Current Financial Related Activities**

The Academy is reliant upon State Foundation monies and State Grants to offer quality educational services to students.

In order to continually provide learning opportunities to the Academy's students, Academy will apply resources to best meet the needs of its students. It is the intent of Academy to apply for other State funds that are made available to finance its operations.

**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Contacting Academy's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dr. Pat McKinstry, Founder and CEO/Chancellor of Rise and Shine Academy, 3248 Warsaw Street, Toledo, Ohio 43608.

**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2014

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	\$ 12,890
Receivables:	
Intergovernmental. . . . .	15,788

Total assets. . . . .	28,678
-----------------------	--------

**Liabilities:**

Current liabilities:

Accounts payable. . . . .	57,271
Accrued wages and benefits . . . . .	5,577
Pension obligation payable. . . . .	781
Intergovernmental payable . . . . .	359

Total liabilities . . . . .	63,988
-----------------------------	--------

**Net position:**

Unrestricted (deficit). . . . .	(35,310)
Total net position (deficit). . . . .	\$ (35,310)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating revenues:</b>	
State Foundation. . . . .	\$ 362,319
Other . . . . .	1,396
Total operating revenues . . . . .	<u>363,715</u>
<b>Operating expenses:</b>	
Salaries and wages. . . . .	71,473
Fringe benefits. . . . .	3,537
Purchased services. . . . .	323,327
Materials and supplies . . . . .	16,844
Other. . . . .	7,343
Total operating expenses. . . . .	<u>422,524</u>
Operating loss. . . . .	<u>(58,809)</u>
<b>Non-operating revenues:</b>	
Federal and State operating grants. . . . .	23,399
Donations. . . . .	100
Total non-operating revenues. . . . .	<u>23,499</u>
Change in net position . . . . .	(35,310)
<b>Net position at beginning of year. . . . .</b>	<u>-</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u><u>\$ (35,310)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RISE AND SHINE ACADEMY  
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 362,394
Cash received from other operations . . . . .	1,396
Cash payments for salaries and wages. . . . .	(65,896)
Cash payments for fringe benefits . . . . .	(15,371)
Cash payments for contractual services . . . . .	(266,747)
Cash payments for materials and supplies . . . . .	(16,542)
Cash payments for other expenses . . . . .	(7,343)
	(8,109)
Net cash provided by operating activities. . . . .	(8,109)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State operating grants. . . . .	20,899
Donations. . . . .	100
	20,999
Net cash provided by noncapital financing activities. . . . .	20,999
Net increase in cash and cash equivalents. . . . .	12,890
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>-</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 12,890</b>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss. . . . .	\$ (58,809)
Changes in assets and liabilities:	
Increase in intergovernmental receivable. . . . .	(13,288)
Increase in accounts payable. . . . .	57,271
Increase in accrued wages and benefits. . . . .	5,577
Increase in intergovernmental payable. . . . .	359
Increase in pension obligation payable. . . . .	781
	781
Net cash provided by operating activities. . . . .	\$ (8,109)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Rise and Shine Academy (the "Academy"), is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to provide a balanced instructional program to students in grades K-6. The Academy is nonsectarian in its programs, admission policies employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for sponsorship under contract resolution on March 12, 2013, with North Central Ohio Educational Service Center (the "Sponsor") for a period of five years commencing on July 1, 2013.

Pursuant to the Sponsor's authority under Section 3314.08(G) of the Ohio Revised Code to provide the Academy with services, the Sponsor shall be the fiscal agent of the Academy and shall direct the Sponsor's assistant treasurer to serve as the Academy's fiscal officer. On April 1, 2014, the Academy ended the fiscal services agreement with the Sponsor and entered into a contract with MAC Financial Services to serve as the fiscal agent for the Academy. The Sponsor shall evaluate the performance of the Academy according to the standards set forth in the Assessment and Accountability Plan. The Sponsor is not legally responsible for the final outcome of the community school.

The service contract for the fiscal year 2014 between the Academy and the Sponsor was also approved. In agreement with the contract, the Academy shall utilize certain resources converted to the Academy's use by the Sponsor including, but not limited, to portions of the Sponsor's facilities, staff, equipment, instructional materials, curriculum and educational strategy, as determined to be appropriate by the Sponsor, at the Sponsor's sole discretion. The price for services rendered by the Sponsor to the Academy is established as the Sponsor's cost of providing such services plus an agency fee. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor and the Sponsor shall be solely responsible for all payroll functions. The Academy pays up to a 3 percent sponsorship fee for oversight and monitoring.

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

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

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

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statements of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**E. Cash**

Cash held by the Academy is reflected as "equity in pooled cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2014, the Academy had no investments. All monies received by the Academy are deposited in a demand deposit account.

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**F. Inventory**

Purchased inventories are presented at the lower of cost or market value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption. The Academy had no material inventories at June 30, 2014.

**G. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Academy did not have any capital assets at June 30, 2014. 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.

**H. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For the Academy, these revenues are payments from the State Foundation Program and sales/charges for services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**J. Intergovernmental Revenue**

The Academy has recently participated in the State Foundation Program through the Ohio Department of Education. Revenues from the State foundation program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from other State and Federal programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for the fiscal year 2014 was \$23,399.



**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**K. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS**

At June 30, 2014, the carrying amount of the Academy's deposits was \$12,890. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the Academy's entire bank balance of \$15,428 was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no investments.

**NOTE 5 - CAPITAL ASSETS**

The Academy did not have any capital assets for the fiscal year ended June 30, 2014.

**NOTE 6 - RECEIVABLES**

The Academy had the following intergovernmental receivables at June 30, 2014:

Farm to School Grant	\$ 2,500
State Teacher's Retirement System	4,288
School Employee's Retirement System	<u>9,000</u>
Total	<u>\$ 15,788</u>

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 126,079
Property services	153,379
Utilities	12,143
Communications	4,568
Contracted craft	24,019
Other	<u>3,139</u>
 Total	 <u>\$ 323,327</u>

**NOTE 8 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, the Academy contracted with Fuller and Sons Insurance Agency for general liability and property insurance. Settled claims did not exceed coverage. The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross payroll by a factor that is calculated by the State.

**NOTE 9 - PENSION PLANS**

**State Teachers Retirement System of Ohio**

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

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

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - PENSION PLANS – (Continued)**

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2014 was \$8,319. 100 percent has been contributed for fiscal year 2014.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2014 was \$640. 100 percent has been contributed for fiscal year 2014.

**NOTE 11 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Academy receives per pupil funding that is reported using the School Options Enrollment System. Each month the Ohio Department of Education uses the student information to adjust and validate the foundation funding of the Academy based on the current enrollment.

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 – CONTINGENCIES – (Continued)**

**B. Litigation**

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The fiscal year 2014 review resulted in a liability of \$75 at June 30, 2014. This amount will be paid in fiscal year 2015.

**NOTE 12 - SERVICE AGREEMENTS**

The Academy is contracting with the Sponsor to manage its operations. All services are to be provided on a purchased service or reimbursement basis. The Academy paid \$102,917 to the Sponsor for educational, fiscal and administrative services for the fiscal year ended June 30, 2014.

On April 1, 2014, the Academy began contracting with MAC Financial Services to serve as fiscal agent for the Academy. The contract is through June 30, 2015 for \$1,800 per month.

**NOTE 13 – MANAGEMENT PLAN**

The Academy had a deficit net position of \$35,310 at June 30, 2014. The Academy plans to address the negative fund balance by increasing recruitment efforts for enrollment increase in fiscal year 2015 budgeted FTE number of 70 in order to pay past due balance owed to sponsor, NCOESC, prior to fiscal year end 2015. Subsequent to the fiscal year 2014 statements, the Academy was able to retire all past due amounts owed to the sponsor, NCOESC, in fiscal year 2015.



# Dave Yost • Auditor of State

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

Rise and Shine Academy  
Lucas County  
3248 Warsaw Street  
Toledo, Ohio 43608

To the Governing Board:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Rise and Shine Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 14, 2015, wherein we noted we were not able to provide a basis for an audit opinion due to lack of supporting documentation provided for the amounts that comprise of Salaries and Wages on the Academy's financial statements.

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

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

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Academy's Response to Findings***

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 14, 2015

**RISE AND SHINE ACADEMY  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014**

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

**FINDING NUMBER 2014-001**

**Material Weakness**

**Nonpayroll Disbursements**

Maintaining organized documentation and support for financial transactions is essential in assuring the Academy's financial statements are accurately presented and that all expenditures are made for a proper public purpose.

We noted the following issues in regard to the organization of financial records as well as the underlying documentation and support of certain financial transactions:

- Disbursements not having supporting documentation;
- Reimbursements being paid to individuals that did not make the payment on behalf of the Academy;
- Invoices being sent to locations other than the Academy for which the invoice is intended;
- Checks being written for amounts that do not agree to the invoice.

This occurred due to insufficient oversight by management.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend the Treasurer combine all invoices and check stubs for financial transactions occurring within the Academy. The records should further be maintained in an orderly manner to support those transactions and to help ensure payments are made to the appropriate payees in the correct amounts.

**Officials' Response:**

Treasurer had difficulty in obtaining invoices from School. Organized binders with check copies and all invoices received from administration were provided. Treasurer has requested that all invoices received at the school be scanned on a weekly basis to treasurer.

**FINDING NUMBER 2014-002**

**Material Weakness**

**Payroll**

We have identified the following weaknesses concerning documentation and underlying support concerning payroll related expenditures:

- The Academy was unable to provide employee contracts, timecards, pension enrollment forms, and tax withholding forms for audit inspection and review.
- Part-time and hourly employees not paying into the required pension;
- Incorrect classification of salaries and benefits within the accounting system.

This occurred due to insufficient oversight by management.

These conditions provide for possible overpayment or underpayment to personnel.

To improve the controls over payroll, we recommend the Academy's management implement the following procedures:

- Obtain and retain all documentation related to payroll activity including contracts approved by the Governing Board, timecards, tax withholding forms, and pension enrollment forms;
- Ensure the Governing Board's written approval for any changes to any payroll policies, procedures, or rate changes;
- Ensure all employees are contributing into the required pension fund;
- Properly classify salaries and benefits in the accounting system.

**Officials' Response:**

Payroll is managed by, approved, and submitted to Paychex by School administration. Payroll reports are accessed online and posted to the books by the Treasurer.

**Auditor of State's Conclusion:**

Management's response does not address the weaknesses identified in the finding.





# Dave Yost • Auditor of State

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

Rise and Shine Academy  
Lucas County  
3248 Warsaw Street  
Toledo, Ohio 43608

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

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

The Board has not yet adopted an anti-harassment policy. The Board should adopt a policy as required by Ohio Rev. Code 3313.666 which includes the following requirements:

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events, violence within a dating relationship, and bullying on a school bus or by electronic act;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as amended by House Bill 19 of the 128<sup>th</sup> General Assembly;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

July 14, 2015



# Dave Yost • Auditor of State

**RISE AND SHINE ACADEMY**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 13, 2015**