Arise Sports Management Academy

Montgomery County

Regular Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

CAUDILL & ASSOCIATES, CPA's

725 5th Street
Portsmouth, Ohio 45662

Mary Taylor, CPA
Auditor of State

Governing Board
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, CPA's, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 7, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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Arise Sports Management Academy
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For the Fiscal Year Ended June 30, 2007

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CAUDILL & ASSOCIATES, CPA's
725 5th Street
Portsmouth, Ohio 45662

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of the Arise Sports Management Academy (the School), as of and for the year ended June 30, 2007, 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the School, as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 31, 2007, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 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.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
December 31, 2007

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, 2007. 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 $83,385 at June 30, 2007.

- Total assets at fiscal year-end were $270,495 and total liabilities were $187,110.

- The School had operating revenues for fiscal year 2007 of $1,300,189 and operating expenses of $1,397,143.

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 2007. 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.

Table 1 provides a summary of the School's net assets for fiscal years 2006 and 2007.

(Table 1)
Net Assets

	2006	2007	Change
Assets			
Current Assets	$63,761	$119,570	$55,809
Capital Assets, Net	80,117	150,925	70,808
Total Assets	143,878	270,495	126,617
Liabilities			
Current Liabilities	32,665	178,539	145,874
Non-Current Liabilities	0	8,571	8,571
Total Liabilities	32,665	187,110	154,445
Net Assets			
Invested in Capital Assets	80,117	142,354	62,237
Restricted	24,606	0	(24,606)
Unrestricted (Deficit)	6,490	(58,969)	(65,459)
Total Net Assets (Deficit)	$111,213	$83,385	($27,828)

Total assets increased $126,617, as capital assets increased by $70,808 due to various acquisitions of computer equipment and to leasehold improvement during fiscal year 2007. An increase in enrollment resulted in an increase in revenue, which allowed the School to purchase additional capital assets. Total liabilities increased $154,445 mainly due to the timing of when invoices were due, which resulted in an increase in accounts payable and accrued wages and benefits from fiscal year 2007. Total net assets decreased $27,828. Unrestricted net assets decreased by $65,459 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 2006 due to the capital assets additions mentioned above. No restrictions were noted. Restricted net assets decreased by $24,606.

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Table 2 shows the changes in net assets for fiscal years 2006 and 2007.

(Table 2)
Change in Net Assets

	2006	2007	Change
Operating Revenues			
State Foundation	$728,650	$1,202,862	$474,212
Poverty Based Assistance	41,506	97,327	55,821
Total Operating Revenues	770,156	1,300,189	530,033
Non-Operating Revenues:			
Federal and State Grants	91,113	60,353	(30,760)
Student Lunch Income	0	929	(929)
Gifts and Donations	0	8,274	(8,274)
Interest	149	439	290
Total Non-Operating Revenues	91,262	69,995	(39,673)
Total Revenues	861,418	1,370,184	490,360
Operating Expenses			
Salaries	267,396	474,519	207,123
Fringe Benefits	42,466	96,633	54,167
Purchased Services	316,897	648,185	331,288
Rent	39,512	103,140	63,628
Materials and Supplies	76,248	51,754	(24,494)
Depreciation	0	22,912	22,912
Interest and Fiscal Charges	0	869	869
Total Expenses	742,519	1,398,012	$655,493
Change in Net Assets	118,899	(27,828)	(146,727)
Net Assets (Deficit) at Beginning of Year	(7,686)	111,213	118,899
Net Assets (Deficit) at End of Year	$111,213	$83,385	(27,828)

There was an increase in revenues of $490,360 and an increase in expenses of $655,493 from fiscal year 2006. Of the increase in revenues, State foundation money increased by $530,033. This increase was due to an increase in enrollment in fiscal year 2007.

Salaries increased by $207,123 from fiscal year 2006. This was due to the increased number of personnel and staff raises. Purchased services, also increased $331,288 from the prior year. This large increase was offset by the decrease in materials and supplies of $24,494, primarily due to the fact that the School has a large increase in enrollment which demanded more services to students.

Capital Assets

At the end of fiscal year 2007 the School had $150,925, invested in furniture and equipment and vehicles. Table 3 shows fiscal year 2007.

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

	2007
Building and Building Improvements	30,424
Furniture and Equipment	$117,698
Vehicles	2,803
Totals	$150,925

Capital Lease

The School has entered into a capital lease agreement for office equipments. Asst June 30, 2007, $8,571 was still outstanding

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, 2007

Assets	
Current Assets:	
Cash and Cash Equivalents	$64,265
Accounts Receivable from Arise Pete	24,835
Intergovernmental Receivable	30,470
Total Current Assets	119,570
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	150,925
Total Assets	270,495
Liabilities	
Current Liabilities:	
Accounts Payable	115,549
Payroll Liabilities Payable	24,949
Intergovernmental Payable	38,041
Total Current Liabilities	178,539
Non-Current Liabilities	
Capital Lease Payable	8,571
Total Non-Current Liabilities	8,571
Total Liabilities	187,110
Net Assets	
Invested in Capital Assets	142,354
Unrestricted	(58,969)
Total Net Assets	$83,385

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, 2007

Operating Revenues:	
State Foundation	$1,202,862
Poverty Based Assistance	97,327
Total Operating Revenues	1,300,189
Operating Expenses:	
Salaries	474,519
Fringe Benefits	96,633
Purchased Services	648,185
Rent	103,140
Materials and Supplies	51,754
Depreciation	22,912
Total Operating Expenses	1,397,143
Operating Income	(96,954)
Non-Operating Revenues/(Expenses):	
Federal and State Grants	60,353
School Lunch Income	929
Gifts and Donations	8,274
Interest Income	439
Interest Expenses	(869)
Total Non-Operating Revenues/(Expenses)	69,126
Change in Net Assets	(27,828)
Net Assets (Deficit) at Beginning of Year	111,213
Net Assets at End of Year	$83,385

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, 2007

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Used for Operating Activities:	
Cash Received from State of Ohio	$1,221,960
Cash Payments to Employees for Services	(421,258)
Cash Payments to Suppliers for Goods and Services	(816,676)
Net Cash Used for Operating Activities	(15,974)
Cash Flows (Used in) Capital Financing Activities:	
Acquisition of Capital Assets	(46,093)
Payments made on capital lease	(4,981)
Net Cash Used in Capital Financing Activities	(51,074)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	70,676
Gifts and Donations received	9,002
School Lunch revenues received	929
Cash Received from Noncapital Financing Activities	80,607
Cash Flows from Investing Activities:	
Interest Income received	439
Interest Expenses Payments	(869)
Cash Flows used in Investing Activities	(430)
Net Increase in Cash and Cash Equivalents	13,129
Cash and Cash Equivalents at Beginning of Year	51,136
Cash and Cash Equivalents at End of Year	$64,265
Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Income	($96,954)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	22,912
Federal and State Subsidies	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(22,912)
Increase in Intergovernmental Receivable not related to state & federal grants	(28,897)
Increase in Accounts Payable related to operating activities	54,582
Decrease in Accrued Wages and Benefits Payable	(6,665)
Increase in Intergovernmental Payable	61,960
Total Adjustments	80,980
Net Cash Used for Operating Activities	($15,974)

See accompanying notes to the basic financial statements

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.

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.

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:

Description	Estimated Lives
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.

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, consists 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 $30,470 to the School for fiscal year 2007.

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.

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 $64,265, and the bank balance totaled $67,647, 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

Receivables at June 30, 2007, consisted of accounts receivables from Peterson Entrepreneurial Training Enterprise School and foundation grant receivable. All receivables are considered collectible in full and will be received within one year.

Receivable from the Peterson Entrepreneurial Training Enterprise School were for Fringe Benefits and Capital Lease principal and interest payments made by the School on behalf of the School.

A summary of the principal items of accounts and intergovernmental receivables follows:

	Amount
Intergovernmental Receivable	
State Foundation	$ 30,470
Total Intergovernmental Receivable	30,470
Accounts Receivable	
PETE Receivable for Health Insurance paid	22,912
PETE receivable for Capital lease Principal and Interest payments made	1,923
Total Accounts Receivable	$ 24,835

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007:

	Balance 7/1/06	Additions	Deletions	Balance 6/30/07
Capital Assets Being Depreciated:				
Leasehold Improvement	$ -	$31,045	$ -	$31,045
Furniture and Equipment	76,613	$62,675	-	139,288
Vehicles	3,504	-	-	3,504
Total Capital Assets Being Depreciated	80,117	93,720	-	173,837
Less Accumulated Depreciation:				
Leasehold Improvement	-	$ (621)	$ -	$ (621)
Furniture and Equipment	-	(21,590)	-	(21,590)
Vehicles	-	(701)	-	(701)
Total Accumulated Depreciation	-	(22,912)	-	(22,912)
Total Capital Assets Being Depreciated, Net	$80,117	$70,808	$0	$150,925

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to 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.

Plan members are required to contribute 10 percent of their annual covered salary and the School 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 2007, 10.58 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007 and 2006 were $24,764 and $8,586 respectively; 100% percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006.

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006 (latest information available), 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 2006 (latest information available), 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, 2007 and 2006 were $51,354 and $24,710 respectively; 59.46% percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2007 were $2,647 by the School and $2,521 made by the plan members.

NOTE 8 – POSTEMPLOYEMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $3,950 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (latest information available), the balance in the Fund was $3.5 billion. For the fiscal year ended June 30, 2006 (latest information available), net health care costs paid by STRS Ohio were $300,690,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006 (latest information available), employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2006 (latest information available), the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer’s SERS salaries. For the School, the amount contributed to fund healthcare benefits, including the surcharge, during the 2007 fiscal year equaled $9,810.

NOTE 8 – POSTEMPLOYEMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual healthcare expenses. Expenses for health care for the fiscal year ended June 30, 2006 (latest information available) were $178,067,133. At June 30, 2006 (latest information available), SERS had net assets available for payment of health care benefits of $296.6 million. SERS has 58,788 participants eligible to receive health care benefits.

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. Monthly premiums for the medical insurance are the following:

Type of Coverage	Monthly Premium
Single	$294
Enrollee plus spouse	$642
Enrollee plus children	$493
Family	$902

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.

NOTE 10 – OPERATING LEASE (Continued)

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 2007 through 2021, minimum rental payments for the School are as follows:

Fiscal Year	Amount
2008	$111,845
2009	115,909
2010	119,973
2011	123,025
2012	125,065
2013-2017	720,017
2018-2021	649,285
	$1,965,119

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 equipments under capital lease total $23,258 at June 30, 2007.

Future minimum lease payments under capital leases for the School are as follows:

Year Ending June 30	
2008	3,510
2009	3,510
2010	3,510
2011	169
Total minimum lease payments	10,699
Less executory costs and related profit	-
Net minimum lease payments	10,699
Less amount representing interest	2,128
Present value of minimum lease payments	8,571

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, 2007.

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. This adjustment resulted in an underpayment of $30,470 for fiscal year 2007.

C. Litigation

A suit was filled 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, 2007 were $181,526.

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.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION (Continued)

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. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

NOTE 15 – COMPLIANCE

Contrary to Ohio Rev. Code Section 117.38 the School's Fiscal Year 2007 report was not filed with the Auditor of State on time, and no notice of availability of the financial report was published.

CAUDILL & ASSOCIATES, CPA's
725 5th Street
Portsmouth, Ohio 45662

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*

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

We have audited the financial statements of the business-type activities of the Arise Sports Management Academy "(the School)" , as of and for the year ended June 30, 2007, which comprise the School's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financing reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. The results of our tests disclosed seven instances of significant internal control deficiencies that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items No. 2007-001, 2007-002, 2007-003, 2007-004, 2007-005, 2007-006, and 2007-007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclosed all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

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 have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards,* which is described in the accompanying schedule of findings and responses as item No. 2007-008.

We noted a certain matter which we have reported to management of the School in a separate letter dated December 31, 2007.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board members, the School's sponsor and the Ohio Department of Education, 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
December 31, 2007

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

Finding No.2007-001
Significant Internal Control Deficiency – Failure to obtain and maintain employee contracts

Three of the School's employees did not have contracts.

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 will ensure that employee contracts are obtained and maintained as appropriate in the future.

Finding No.2007-002
Significant Internal Control Deficiency – Failure to maintain adequate supporting documentation for expenditures

Adequate supporting documentation is a key control in the disbursement process to determine if expenditures are for their intended use. A total of $2,268, or 5% of the disbursements tested were not supported by adequate supporting documentation (invoice, receipts of payments or contractual agreements). In addition, a total of $20,529, or 33.33% of the expenditures tested, did not have a purchase orders approved by the Chief Executive Officer, as stipulated by the School's unofficial purchasing procedures.

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. 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 and properly issued and approved prior to contracting or acquiring goods and services as required by the School's purchasing policy.

Client Response:

The School will make efforts to ensure that adequate supporting documentation exist for all disbursements.

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

Finding No.2007-003
Significant Internal Control Deficiency – Failure to maintain a capital asset listing

Adequate capital assets inventory and listing is a key control in the School's ability to determine if capital assets are purchased and maintained for their intended use. A complete capital asset listing should be maintained at all time, updated by additions to and disposals of capital assets.

Without proper capital assets listing, the School's capital assets will be difficult to monitor, and this could lead to the misappropriation of the School's fixed assets.

The School should take steps to insure that a complete listing of capital assets is in place and are monitored by appropriate personnel.

Client Response:

The School will ensure that capital assets inventory as performed and that a listing of capital assets is maintained.

Finding No.2007-004
Significant Internal Control Deficiency – Excess payment on Equipment Lease Payments

Goods and services shared between the two schools must be prorated or shared evenly between the schools. Each school should be billed and should pay only its share of services or goods received.

In Fiscal Year 2007, the Schools have entered into an equipment lease agreement whereas monthly payments are made to the vendor. Since the equipments (copiers) are shared evenly between the two schools, payments should be split evenly between the two schools. However, in 2007, Arise Sports Management Academy has paid 74% of the total $7,853 principal and interest payments on the lease, while Arise Pete School paid only the remaining 26%.

A receivable of $1,923 has been recorded in the financial statements from Arise Pete, the excess amount paid by Arise Sports Management School on behalf of Arise Pete School.

The School should develop procedures to ensure that goods and services are properly billed to each School and prorated to each School's usage.

Client Response:

The School will ensure that a thorough review of invoices will be performed before disbursements are made.

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

Finding No.2007-005
Significant Internal Control Deficiency – Excess payment on Health Care Insurance

Goods and services shared between the two schools must be prorated or shared evenly between the schools. Each school should be billed and should pay only its share of services or goods received.

In Fiscal Year 2007, Arise Sports Management Academy paid the total health insurance invoices for both schools, whereas the invoices should have been shared between the two schools.

A receivable of $22,912 has been recorded in the financial statements, representing the excess amount paid by the School on behalf of PETE Academy.

The School should develop procedures to ensure that goods and services are properly billed to each School and prorated to each academy's usage.

Client Response:

The School will ensure that a thorough review of invoices will be performed before disbursements are made.

Finding No.2007-006
Significant Internal Control Deficiency – Sales Taxes Payments

Although, the School has applied and been determined by the IRS to be a tax-exempt entity, as evidenced by its 501 (C) (3) status, a total of $412 was paid as taxes on the School's lease bill payments to Com Doc Inc. in fiscal year 2007.

The School should request a reimbursement for the $412 that was paid as sales taxes, in fiscal year 2007. In addition, the School should review invoices to determine whether sales taxes are included before paying them.

Client Response:

The School will ensure in the future that invoices are reviewed for sales taxes before disbursements are made.

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

Finding No.2007-007
Significant Internal Control Deficiency – Capital Lease Determination

In fiscal year 2007, the School has entered into a lease agreement that qualify as a capital lease. However, the lease was accounted for as an operating lease.

Lease agreements should be analyzed to determine whether they qualify as a capital lease or operating lease. Equipments under capital lease should be recognized as assets and a corresponding liability should also be recognized as required by generally accepted accounting principles.

The School should develop procedures to ensure that lease agreements entered into are analyzed and accounted for properly.

Client Response:

The School will ensure that a review of existing and future lease agreements is made and that the proper determination of capital or operating lease is accurate and accounted for accordingly.

Finding No.2007-008
Material 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 2007 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 will make efforts to ensure compliance will be met.

ARISE SPORTS MANAGEMENT ACADEMY
MONTGOMERY COUNTY
JUNE 30, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Failure to obtain and maintain employee contracts	No	Reissued as finding # 2007-001
2006-002	Failure to maintain adequate supporting documentation for expenditures	No	Reissued as finding # 2007-002
2006-003	Failure to maintain a capital asset listing	No	Reissued as Finding # 2007-003
2006-004	Failure to file report in accordance with ORC Section 117.38	No	Reissued as finding # 2007-008

Mary Taylor, CPA
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
MARCH 6, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us