

Peterson Entrepreneurial Training Enterprise

Montgomery County

Closeout Audit

July 1, 2008 through October 1, 2009

Fiscal Year Audited Under GAGAS: 2009



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com



Dave Yost • Auditor of State

Board of Directors
Peterson Entrepreneurial Training Enterprise (PETE)
One Elizabeth Plaza
Dayton, Ohio 45408

We have reviewed the *Independent Auditor's Report* of the Peterson Entrepreneurial Training Enterprise (PETE), Montgomery County, prepared by Caudill & Associates, CPAs, for the period July 1, 2008 through October 1, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Noncompliance Citation – Unsupported Checks

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section **149.43** of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Arise Pete Academy (Peterson Entrepreneurial Training Enterprise (PETE)) was unable to provide documentation that accurately supported amounts disbursed to the following vendor:

7781	Kenneth Brigham	July 16, 2008	\$625
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Without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Ohio Revised Code Section 117.28 allows Auditor of State to issue a Finding for Recovery for public monies illegally expended for lack of proper support. Arise Pete Academy (PETE) owed Kenneth Brigham \$2,000 for supplemental contracts. This amount due was verified by the Auditor of State. Since the amount owed to Kenneth Brigham is greater than the unsupported payment, no finding for recovery will be issued.

Finding for Recovery – Unsupported Withdrawals

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section **149.43** of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Following cash withdrawals made out of the Academy’s general operating account by Shane K. Floyd did not have any supporting documentation:

<u>Date</u>	<u>Amount</u>
October 10, 2008	84
December 16, 2008	610
December 27, 2008	200
February 4, 2009	200
February 20, 2009	180
February 25, 2009	22
March 2, 2009	150
April 1, 2009	870
April 1, 2009	336
April 1, 2009	2,400
November 2, 2009	5,000
November 30, 2009	5,000
December 1, 2009	\$600
Total All	<u><u>\$15,652</u></u>

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy’s finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shane K. Floyd in the amount of \$15,652 and in favor of Arise Pete Academy (PETE).

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Accordingly, Carl W. Shye Jr., Treasurer, is jointly and severally liable in the amount of \$15,652 and in favor of Arise Pete Academy (PETE) in the amount of \$15,652.

Finding for Recovery – Unsupported Checks

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section **149.43** of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy was unable to provide documentation that accurately supported amounts disbursed to the following vendors:

<u>Check #</u>	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
7824	Gregory Johnson	May 15, 2009	10,000
7802	Impact Enterprises	August 15, 2008	1,400
7803	Impact Enterprises	August 15, 2008	500
Total Impact Enterprises			<u>1,900</u>
7780	Kerry Ivy	July 16, 2008	2,100
7779	The Perry Foundation	July 16, 2008	5,000
7790	The Perry Foundation	July 30, 2008	8,333
7800	The Perry Foundation	August 14, 2008	10,616
Total The Perry Foundation			<u>23,949</u>
7806	Wendy Wiggins	August 21, 2008	1,000
Total All			<u>38,949</u>

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against: Gregory Johnson in the amount of \$10,000 and in favor of Arise Pete Academy (PETE); Impact Enterprises in the amount of \$1,900 and in favor of Arise Pete Academy (PETE); Kerry Ivy in the amount of \$2,100 and in favor of Arise Pete Academy (PETE); The Perry Foundation in the amount of \$23,949 and in favor of Arise Pete Academy (PETE); and Wendy Wiggins in the amount of \$1,000 and in favor of Arise Pete Academy (PETE).

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Accordingly, Carl W. Shye Jr., Treasurer, is jointly and severally liable in the amount of \$38,949 and in favor of Arise Pete Academy (PETE) in the amount of \$38,949.

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. Peterson Entrepreneurial Training Enterprise (PETE) is responsible for compliance with these laws and regulations.



Dave Yost
Auditor of State

September 19, 2011

Peterson Entrepreneurial Training Enterprise
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For the Fiscal Year Ended October 1, 2009

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Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
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www.caudillcpa.com

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Independent Auditor's Report

Peterson Entrepreneurial Training Enterprise
Montgomery County
One Elizabeth Place
Dayton, Ohio 45408

To the Board of Directors:

We were engaged to audit the accompanying financial statements of the business-type activities of Peterson Entrepreneurial Training Enterprise, Montgomery County, (the School), as of and for the period July 01, 2008 to October 1, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management.

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

Because of the significance of the matters stated in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph for the period of July 1, 2008 to October 1, 2009.

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.

As disclosed in note 15, the School officially suspended operations on August 19, 2009 and formally suspended operations on October 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 05, 2011 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Caudill & Associates, CPA

Caudill & Associates, CPA
March 05, 2011

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009
(UNAUDITED)

The management discussion and analysis of the Peterson Entrepreneurial Training Enterprise Community School's financial performance provides an overall review of the School's financial activities for the period of July 1, 2008 to October 1, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

- The School had net assets of \$16,560 at October 1, 2009.
- Total assets at fiscal year-end were \$104,814 and total liabilities were \$88,254.
- The School had operating revenues for fiscal year 2009 of \$201,092 and operating expenses of \$251,755.

Using this Financial Report

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

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

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

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009
(UNAUDITED)

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

(Table 1)			
Net Assets			
	2008	2009	Change
Assets			
Current Assets	\$ 21,020	\$ 762	\$ (20,258)
Capital Assets, Net	118,505	104,052	(14,453)
Total Assets	139,525	104,814	(34,711)
Liabilities			
Current Liabilities	176,437	82,941	93,496
Non-Current Liabilities	5,313	5,313	-
Total Liabilities	181,750	88,254	93,496
Net Assets			
Invested in Capital Assets	113,192	104,814	(8,378)
Unrestricted	(155,417)	(88,254)	67,163
Total Net Assets	\$ (42,225)	\$ 16,560	\$ 58,785

Current assets decreased \$20,258, as cash equivalents were used to pay outstanding vendors. Total liabilities decreased \$93,496 due, primarily to preparation of school closure. Total net assets increased \$58,785.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009
(UNAUDITED)

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

(Table 2)
Change in Net Assets

	2008	2009	Change
Operating Revenues			
State Foundation	\$ 1,341,291	\$ 197,059	\$ (1,144,232)
Poverty Based Assistance	25,181	4,033	(21,148)
Total Operating Revenues	<u>1,366,472</u>	<u>201,092</u>	<u>(1,165,380)</u>
Non-Operating Revenues:			
Federal and State Grants	141,095	8,593	(132,502)
Interest	657	26	(631)
Gifts and Donations	4,142	100,829	96,687
Total Non-Operating Revenues	<u>145,894</u>	<u>109,448</u>	<u>(36,446)</u>
Total Revenues	<u>1,512,366</u>	<u>310,540</u>	<u>(1,201,826)</u>
Operating Expenses			
Salaries	622,868	104,947	(517,921)
Fringe Benefits	183,323	26,752	(156,571)
Purchased Services	512,962	110,056	(402,906)
Rent	150,025	10,000	(140,025)
Materials and Supplies	55,932	-	(55,932)
Depreciation	28,900	-	(28,900)
Total Operating Expenses	<u>1,554,010</u>	<u>251,755</u>	<u>(1,302,255)</u>
Non-Operating Expenses:			
Interest	822	-	(822)
Total Non-Operating Expenses	<u>822</u>	<u>-</u>	<u>(822)</u>
Total Expenses	<u>1,554,832</u>	<u>251,755</u>	<u>(1,303,077)</u>
Change in Net Asssets	(42,466)	58,785	101,251
Net Assets at Beginning of Year	241	(42,225)	(42,466)
Net Assets at End of Year	<u>\$ (42,225)</u>	<u>\$ 16,560</u>	<u>\$ 58,785</u>

There was a decrease in revenues of \$1,201,826 and a decrease in expenses of \$1,302,255 from fiscal year 2008. Of the increase in revenues, miscellaneous revenue, including contributions and donations increased by \$96,687. Federal and state grant revenue decreased \$132,502.

Salaries and benefits decreased by \$674,492 from fiscal year 2008 due mainly to the decreased number of personnel.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
COMMUNITY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009
(UNAUDITED)

Capital Assets

At the end of October 1, 2009, the School had \$104,052, invested in furniture, equipment, vehicles and leasehold improvements. Table 3 shows fiscal year 2009.

(Table 3)
Capital Assets at October 1, 2009
(Net of Depreciation)

	2009
Furniture and Equipment	\$ 104,052
Totals	<u>\$ 104,052</u>

Debt Administration

The School does not have any outstanding long term debt at October 1, 2009.

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 Peterson Entrepreneurial Training Enterprise Community School, One Elizabeth Place, Dayton, Ohio 45408.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
STATEMENT OF NET ASSETS
OCTOBER 1, 2009

Assets

Current Assets:

Cash and Cash Equivalents	\$ 762
Total Current Assets	<u>762</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>104,052</u>
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<i>Total Assets</i>	<u>104,814</u>
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Liabilities

Current Liabilities:

Accounts Payable	17,813
Accrued Wages and Benefits	12,551
Intergovernmental Payable	<u>52,577</u>
Total Current Liabilities	<u>82,941</u>

Non-Current Liabilities:

Lease Payable	<u>5,313</u>
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Total Non-Current Liabilities	<u>5,313</u>
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<i>Total Liabilities</i>	<u>88,254</u>
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Net Assets

Invested in Capital Assets	104,814
Unrestricted	<u>(88,254)</u>

<i>Total Net Assets</i>	<u><u>\$ 16,560</u></u>
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See accompanying notes to the basic financial statements

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

Operating Revenues:	
State Foundation	\$ 197,059
Poverty Based Assistance	4,033
	<hr/>
<i>Total Operating Revenues</i>	<i>201,092</i>
	<hr/>
Operating Expenses:	
Salaries	104,947
Fringe Benefits	26,752
Purchased Services	110,056
Rent	10,000
	<hr/>
<i>Total Operating Expenses</i>	<i>251,755</i>
	<hr/>
<i>Operating Income</i>	<i>(50,663)</i>
	<hr/>
Non-Operating Revenues/(Expenses):	
Federal and State Grants	8,593
Gifts and Donations	2,000
Interest	26
Miscellaneous	98,829
	<hr/>
<i>Total Non-Operating Revenues</i>	<i>109,448</i>
	<hr/>
<i>Change in Net Assets</i>	<i>58,785</i>
	<hr/>
<i>Net Assets (Deficit) at Beginning of Year</i>	<i>(42,225)</i>
	<hr/>
<i>Net Assets at End of Year</i>	<i>\$ 16,560</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
STATEMENT OF CASH FLOWS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows Provided by Operating Activities:

Cash Received from State of Ohio	\$ 216,348
Cash Payments to Employees for Services	(118,364)
Cash Payments to Suppliers for Goods and Services	<u>(212,434)</u>
<i>Net Cash Used In Operating Activities</i>	<u>(114,450)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	8,593
Interest	26
Miscellaneous Revenue	89,502
Gifts and Donations	<u>2,000</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>100,121</u>

Cash Flows for Investing Activities:

Interest Income/(Payments)	657
Interest Expenses	<u>(822)</u>
<i>Net Cash used in investing Activities</i>	<u>(165)</u>

Net decrease in Cash and Cash Equivalents (14,494)

Cash and Cash Equivalents at Beginning of Year 15,256

Cash and Cash Equivalents at End of Year \$ 762

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income \$ (50,663)

Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:

Depreciation	14,453
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	15,256
Decrease in Accounts Payable	(106,831)
Increase in Accrued Wages and Benefits Payable	9,293
Increase in Intergovernmental Payable	<u>4,042</u>

Total Adjustments (63,787)

Net Cash Used In Operating Activities \$ (114,450)

See accompanying notes to the basic financial statements

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Peterson Entrepreneurial Training Enterprise 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, 2005 and ending August 19, 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 to perform extended educational services. One member of Educational Management Alliance also serves as the School’s Superintendent. Related party transactions are further discussed in Note 12 to the basic financial statements.

The School operates under the direction of a four-member Governing Board. The School and the ARISE Sport Management Academy Community 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 12)

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.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

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.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

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:

Furniture and Equipment	5-30 years
Vehicles	5-10 years
Leasehold Improvements	15 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to service already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

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.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Assets

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

The government-wide statement of net assets reports no restricted net assets.

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 school is required to have an FTE review as a procedure during the closing process, but no information was provided to us concerning the results.

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.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

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 \$762, 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 October 1, 2009, consisted of intergovernmental (Federal and State grants). All receivables are considered collectible in full and will be received within one year.

No information was provided that demonstrated the details for intergovernmental receivables.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the period ended October 1, 2009:

	Balance 6/30/08	Additions	Deletions	Balance 10/1/09
Capital Assets Being Depreciated:				
Leasehold Improvement	\$ 30,000	\$ -	\$ -	\$ 30,000
Furniture and Equipment	130,998	-	-	130,998
Vehicles	3,504	-	-	3,504
Total Capital Assets Being Depreciated	<u>164,502</u>	<u>-</u>	<u>-</u>	<u>164,502</u>
Less Accumulated Depreciation:				
Leasehold Improvement	(4,000)		-	(4,000)
Furniture and Equipment	(40,595)	(14,453)		(55,048)
Vehicles	(1,402)		-	(1,402)
Total Accumulated Depreciation	<u>(45,997)</u>	<u>(14,453)</u>	<u>-</u>	<u>(60,450)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 118,505</u>	<u>\$ (14,453)</u>	<u>\$ -</u>	<u>\$ 104,052</u>

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Buildings and contents are covered under Westfield Insurance Company with a \$1,000 deductible. Electronic data processing equipment is covered under Westfield Insurance Company with a \$1,000 deductible. The School carries liability insurance with Westfield Insurance Company of \$1,000,000 single occurrence and \$2,000,000 aggregate.

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

B. Workers' Compensation

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

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$32,902, \$12,560 and \$6,146 respectively; 100 percent has been contributed for fiscal year 2008, 2007 and fiscal year 2006. We could not determine the contribution for 2009.

B. State Teachers Retirement System of Ohio

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

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$59,976, \$56,029 and \$26,643 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$2,647 by the School and \$2,521 made by the plan members. We could not determine the contribution for 2009.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 8 – POSTEMPLOYEMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with the Internal Revenue Code Section 401h. For 2008, 4.16 of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, we could not determine the amount.

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

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008 the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2008 net health care costs paid by STRS Ohio were \$540,493,000 and STRS Ohio had 126,506 eligible benefit recipients.

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

B. State Teachers Retirement System

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

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 8 – POSTEMPLOYEMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. We could not determine the contributions for fiscal year 2009.

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:

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

NOTE 10 – OPERATING LEASE

The School subleases two office facilities from RNS Equities, LLC for school space located at One Elizabeth Place, Dayton Ohio. The term of the first lease began September 1, 2006 and continues through August 31, 2020. The lease payment is \$9,200 per month and an additional \$506 per month starting March 6, 2008 for a 60 month period to cover tenant improvement costs. Base rent shall increase at the rate of \$.50 per rentable square foot each year.

The term of the second lease began October 15, 2008 and continued 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. In 2009, Arise Sports Management Academy assumed 100% of the operating lease commitment.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 11 – 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 October 1, 2009.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data of the State, upon which State foundation funding is calculated. This adjustment resulted in a receivable of \$5,764 for fiscal year 2008. No information was provided for 2009.

C. Litigation

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

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$13,022 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.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 13 - COMPLIANCE

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

NOTE 14 – LONG-TERM LIABILITIES – CAPITAL LEASE

The School entered into a non-cancelable lease agreement with Com Doc Inc. for office equipment. The lease is classified as a capital lease that expires in 2010. The equipment is equally shared with the Arise Sports Management Academy as well as the lease payments.

The equipment under capital lease totaled \$20,108 at June 30, 2009.

In 2009, Arise Sports Management Academy assumed all lease payments.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE COMMUNITY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2008 TO OCTOBER 1, 2009

NOTE 15 – CEASED OPERATIONS/SUBSEQUENT EVENTS

On May 21, 2009, the Sponsor, Educational Resource Consultants of Ohio, Inc, issued a notice of sponsorship termination, effective August 19, 2009. On September 25, 2009, the Board of Directors collectively voted to suspend operations as of October 1, 2009. A closing timetable was set by the Sponsor in coordination with the Ohio Department of Education, which culminated on October 1, 2009 date on which the School officially closed.

We could not test receipt and expenditure transactions which occurred subsequent to October 1, 2009, and the effect these transactions had on the School's cash and liabilities after the closing date of October 1, 2009, due to lack of supporting documentation.

As of March 05, 2011, no documentation was provided to indicate that the closing timetable was met for the closing procedures required by the Ohio Department of Education.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Peterson Entrepreneurial Training Enterprise
One Elizabeth Place
Dayton, Ohio 45408

To the Board of Directors:

We were engaged to audit the financial statements of Peterson Entrepreneurial Training Enterprise, Montgomery County, (the School) as of and for the period of July 1, 2008 to October 1, 2009, and have issued our report thereon dated March 05, 2011, which was disclaimed for lack of evidential matter regarding intergovernmental receivables, cash, receipts, expenditures, intergovernmental payables, capital assets, payroll expenses, accounts payable and accrued wages and benefits. Also, we did not obtain a written representation letter, or attorney letter and we noted that the School formally suspended operations on October 1, 2009. We conducted our engagement in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the school's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-009, and 2009-012 through 2009-016, described in the accompanying schedule of findings and responses to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-007, 2009-008, 2009-010, and 2009-011 to be significant deficiencies.

Peterson Entrepreneurial Training Enterprise
Montgomery County

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-007, 2009-009, and 2009-012.

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

Caudill & Associates, CPA

Caudill & Associates, CPA

March 05, 2011

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
Montgomery County
Schedule of Findings & Responses
October 1, 2009

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

Finding No.2009-001

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

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

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

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

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

Client Response:

The School made no response.

Finding No.2009-002

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

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

The Ohio Revised Code Section 3314.03(A)(11)(d) Community Schools must prepare 5 year projections of revenues and expenditures. It must be approved by the board of director’s and submitted to the Department of Education no later than October 31 of any fiscal year.

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

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

Client Response:

The School made no response.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
Montgomery County
Schedule of Findings & Responses
October 1, 2009

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

Finding No.2009-003

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

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

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

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

Client Response:

The School made no response.

Finding No.2009-004

Noncompliance Citation – Failure to provide documentation for student listing.

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

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

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

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

Client Response:

The School made no response.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE

Montgomery County

Schedule of Findings & Responses

October 1, 2009

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

Finding No.2009-005

Noncompliance Citation - Ohio Rev. Code Sections 5747.06 and 5747.07

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

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

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

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

Client Response:

The School made no response.

Finding No.2009-006

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

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

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

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

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

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

Client Response:

The School made no response.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
Montgomery County
Schedule of Findings & Responses
October 1, 2009

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

Finding No.2009-007

Noncompliance Citation/Significant Internal Control Deficiency – Payroll Records

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

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

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

Client Response:

The School made no response

Finding No.2009-008

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

No employee contracts were provided for testing purpose.

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

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

Client Response:

The School made no response

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE

Montgomery County

Schedule of Findings & Responses

October 1, 2009

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

Finding No.2009-009

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

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

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

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

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

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

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

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

Client Response:

The School made no response.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
Montgomery County
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October 1, 2009

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

Finding No.2009-010

Significant Internal Control Deficiency – Excessive Overdraft Charges

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

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

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

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

Client Response:

The School made no response.

Finding No.2009-011

Significant Internal Control Deficiency – Segregation of Duties

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

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

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

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

Client Response:

The School made no response.

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

Finding No.2009-012

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

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

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

During audit procedures, it was noted that the School did not maintain a capital asset listing.

Adequate capital assets inventory 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 times, updated by additions to and disposals of capital assets.

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

Client Response:

The School made no response

Finding No.2009-013

Material Weakness – Bank Reconciliations

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

Bank reconciliations were not provided for testing purposes.

Without reconciling between cash balances, the school will have an inability to get the books in balance with the bank which may result in a misstatement of the balance sheet.

Client Response:

The School made no response.

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

Finding No.2009-014

Material Weakness – Failure to properly record capital assets

Capital assets, capital leases, and leasehold improvements were not properly recorded in the School's financial system and, therefore, were not accounted for correctly on the School's financial statements. Additionally, depreciation expenses were not recorded per School policy.

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

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

Depreciation expense should be recorded on the financial statements, based on the useful life of the asset.

Client Response:

The School made no response.

Finding No.2009-015

Material Weakness – Failure to develop and maintain organizational budget

Development of an operational budget, including the periodic analysis of variances, is an important tool in helping to promote organizational efficiency and effectiveness. Variance analysis helps to identify performance issues in a timely manner and also helps ensure financial statements are fairly stated.

The School's sponsor requires the school to approve a budget each year. However, the budget has not been monitored on a regular basis.

The School should develop and adopt an operational budget. Significant variances should be analyzed on a regular basis to help ensure School performance is aligned with stated goals and objectives.

Client Response:

The School made no response.

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE

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

Finding No.2009-016

Material Weakness – Cash Controls

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

During testing, it was noted that bank reconciliations were not presented to the Board for approval, nor evidence provided that a review of bank reconciliations took place.

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

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

Client Response:

The School made no response.

**PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE
MONTGOMERY COUNTY
OCTOBER 1, 2009**

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:
2008-001	Failure to file annual report	No	Reissued as finding # 2009-001
2008-002	Failure to provide documentation of Coverage under BWC	No	Reissued as finding # 2009-007
2008-003	Failure to provide documentation for student listing	No	Reissued as finding # 2009-004
2008-004	Failure to obtain and maintain employee contracts	No	Reissued as finding # 2009-008
2008-005	Failure to maintain a capital asset listing	No	Reissued as finding # 2009-012
2008-006	Failure to develop and maintain organizational budget	No	Reissued as finding # 2009-015
2008-007	Failure to maintain adequate supporting documentation for expenditures, Capital Assets, Intergovernmental Payable, Accrued Wages and Benefits and Accounts Payable	No	Reissued as finding # 2009-009
2008-008	Failure to properly record capital Assets	No	Reissued as finding # 2009-014
2008-009	Failure to maintain segregation of duties	No	Reissued as finding # 2009-011



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Peterson Entrepreneurial Training Enterprise
One Elizabeth Place
Dayton, Ohio 45408

To the Board of Directors:

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

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

1. We did not read the policy, due to lack of supporting documentation, and could not verify that it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Revised Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that the school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;
 - 7) A procedure for responding to and investigating any reported incident;
 - 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

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- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Caudill & Associates, CPA

Caudill & Associates, CPA
March 05, 2011



Dave Yost • Auditor of State

PETERSON ENTREPRENEURIAL TRAINING ENTERPRISE

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 15, 2012**