ARISE SPORTS MANAGEMENT ACADEMY
MONTGOMERY COUNTY

INITIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

ARISE SPORTS MANAGEMENT ACADEMY
MONTGOMERY COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the business-type activities of Arise Sports Management Academy, Montgomery County, (the Academy), as of and for the fiscal year ended June 30, 2005, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Academy, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As shown in the accompanying financial statements for the fiscal year ended June 30, 2005, the Academy has incurred a working capital deficiency of $7,219, and accumulated deficit net assets of $7,686. Management's plans regarding this deficit are included in Note #16.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government School Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery

Betty Montgomery
Auditor of State

May 19, 2006

ARISE SPORT MANAGEMENT ACADEMY COMMUNITY SCHOOOL
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of the ARISE Sport Management Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Since fiscal year 2005 was the first year of the School's existence, comparative information is not available.

Financial Highlights

- The Academy had net assets of negative $7,686 at June 30, 2005.
- Total assets at fiscal year end were $45,657 and total liabilities were $53,343.
- The Academy had operating revenues for fiscal year 2005 of $559,918 and operating expenses for fiscal year 2005 of $664,767.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets and Statement of Revenues, Expenses and Changes in Accumulated Deficit

The statement of net assets includes all assets and liabilities both short-term and long-term using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2005. Since this is the Academy's first year of existence, comparisons to fiscal year 2004 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

(Table 1)
Net Assets

	2005
Assets	
Current Assets	$45,657
Liabilities	
Current Liabilities	52,876
Non-Current Liabilities	467
Total Liabilities	53,343
Net Assets	
Restricted	32,499
Unrestricted (Deficit)	(40,185)
Total Net Assets	($7,686)

Table 2 shows the changes in net assets for fiscal year ending 2005. Since this is the Academy's first fiscal year of existence, comparisons to fiscal year 2004 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

(Table 2)
Change in Net Assets

	2005
Operating Revenues	
State Foundation	$551,837
Disadvantaged Pupil Impact Aid	7,394
Miscellaneous	687
Total Operating Revenues	559,918
Non-Operating Revenues:	
Federal and State Grants	97,032
Interest	131
Total Non-Operating Revenues	97,163
Total Revenues	657,081
Operating Expenses	
Salaries	167,881
Fringe Benefits	31,042
Purchased Services	337,560
Materials and Supplies	128,284
Total Expenses	664,767
Change in Net Assets	(7,686)
Net Assets Beginning of Period	0
Net Assets (Deficit) End of Period	($7,686)

Debt Administration

The Academy does not have any outstanding debt at June 30, 2005.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis Bixler, Treasurer at ARISE Sport Management Academy, 1 Elizabeth Place, Dayton, Ohio 45408 or e-mail at ww_treas@mdeca.org.

ARISE SPORT MANAGEMENT ACADEMY
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets	
Current Assets:	
Cash and Cash Equivalents	$21,920
Intergovernmental Receivable	23,737
Total Assets	45,657
Liabilities	
Current Liabilities:	
Accounts Payable	20,928
Accrued Wages and Benefits Payable	26,792
Intergovernmental Payable	5,156
Total Current Liabilities	52,876
Non-Current Liabilities	
Compensated Absences Payable	467
Total Liabilities	53,343
Net Assets	
Restricted for Other Purposes	32,499
Unrestricted (Deficit)	(40,185)
Total Net Assets	($7,686)

See accompanying notes to the basic financial statements.

ARISE SPORT MANAGEMENT ACADEMY
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ACCUMULATED DEFICIT FOR THE PERIOD ENDED JUNE 30, 2005

Operating Revenues:	
State Foundation	$551,837
Disadvantaged Pupil Impact Aid	7,394
Miscellaneous	687
Total Operating Revenues	559,918
Operating Expenses:	
Salaries	167,881
Fringe Benefits	31,042
Purchased Services	337,560
Materials and Supplies	128,284
Total Operating Expenses	664,767
Operating Loss	(104,849)
Non-Operating Revenues:	
Federal and State Grants	97,032
Interest	131
Total Non-Operating Revenues	97,163
Change in Net Assets	(7,686)
Net Assets Beginning of Period	0
Net Assets (Deficit) End of Period	($7,686)

See accompanying notes to the basic financial statements.

ARISE SPORT MANAGEMENT ACADEMY
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2005

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Used for Operating Activities:	
Cash Received from State of Ohio	$547,330
Cash Received from Miscellaneous Sources	687
Cash Payments to Employees for Services	(166,508)
Cash Payments to Suppliers for Goods and Services	(444,916)
Net Cash Used for Operating Activities	(63,407)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	85,196
Cash Flows from Investing Activities:	
Interest	131
Net Increase in Cash and Cash Equivalents	21,920
Cash and Cash Equivalents at Beginning of Period	0
Cash and Cash Equivalents at End of Period	21,920
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($104,849)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(11,901)
Increase in Accounts Payable	20,928
Increase in Accrued Wages and Benefits	26,792
Increase in Intergovernmental Payable	5,156
Increase in Compensated Absences Payable	467
Total Adjustments	41,442
Net Cash Used for Operating Activities	($63,407)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The ARISE Sport Management Academy ("the Academy") is an Ohio Public Benefit Corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702.01(P) to address the needs of students in grades 9 through 12. The Academy, 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 Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy is in the process of obtaining exemption 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 Academy's tax exempt status.

The Academy was approved for operation under contract with the Lucas County Educational Service Center (the Sponsor) commencing October 4, 2004 and ending June 30, 2009. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy contracted with Kids 2000 and Educational Management Alliance to perform extended educational services. One member of Kids 2000 also serves on the Academy's Governing Board. This related party transaction will be further discussed in Note 12 to the basic financial statements.

The Academy operates under the direction of a five-member 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 Academy consists of one fund, several departments and the Board. Academy programs include general operations and student related activities of the Academy. The Academy is associated with the Metropolitan Dayton Education Computer Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

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

C. Basis of Accounting

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

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

Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in demand deposit accounts. For internal accounting control purposes, the Academy segregates its cash. Individual fund integrity is maintained through Academy records and the USAS accounting system. Total cash for all funds is presented as "Cash and Cash Equivalents" on the accompanying statement of net assets.

E. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the statement of net assets.

F. 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 probably that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Academy 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 Academy's termination policy. The Academy 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).

G. 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, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The Academy has no debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

H. Operating Revenues and Expenses

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

I. 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.

J. 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 Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

3. DEPOSITS

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Academy's bank balance of $54,039 was exposed to custodial credit risk and the entire balance was covered by the federal depository insurance.

3. DEPOSITS (Continued)

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

The Academy does not have any investments.

4. RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental (Federal and State grants). All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Title I	$11,836
FTE Funding	11,901
Total Intergovernmental Receivable	$23,737

5. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 Academy carries liability insurance with Westfield Insurance Company of $1,000,000 single occurrence and $2,000,000 aggregate.

This is the Academy’s first year of existence. During the fiscal year, the settled claims did not exceed this commercial coverage.

B. Workers’ Compensation

The Academy 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.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy 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. or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy's 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 2005, 10.57 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 Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2005, was $4,725; 85.38 percent has been contributed for fiscal year 2005.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to the DB Plan for the fiscal year ended June 30, 2005 was $15,124; 84.24 percent has been contributed for fiscal year 2005.

7. POSTEMPLOYEMENT BENEFITS

The Academy 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 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 on a pay-as-you-go basis.

All 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, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $1,163 for fiscal year 2005. STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was $3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at $27,400. For the 2005 fiscal year, Academy paid $5,822 to fund health care benefits, including the surcharge.

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 health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were $178,221,113 and the target level was $267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

8. OPERATING LEASES

The Academy subleases an office facility from the Montgomery County Commissioners, under a non-cancelable operating lease. The term of this lease commences October 1, 2004 through September 30, 2005. The lease payment includes use of the buildings, the cost of utilities, maintenance, custodial and grounds services. The lease payment was $10,020 for the term of the contract. The estimated future minimum lease payments as of June 30, 2005 are $2,505.

The Academy signed a lease from RNS Equities, LLC for school space at One Elizabeth Place, Dayton, Ohio 45408. The monthly rent is $9,200 beginning September 1, 2005 and an additional $506 starting on March 1, 2006 for 60 month period. Monthly rental payment is equally shared between the school and Peterson Entrepreneurial Training Enterprise (see Note 12).

9. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining sick leave components are derived 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, up to a maximum of 120 days for employees.

B. Medical, Dental, and Vision Benefits

The School carries their medical insurance through American Trust Company. The full-time Professional Staff Members 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:

Single:	$367 per month
Enrollee plus spouse:	$624 per month
Enrollee plus children:	$637 per month
Family:	$864 per month

10. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2005 were as follows:

Long-Term Obligation	Amount Outstanding 6/30/2004	Additions	Deletions	Amount Outstanding 6/30/2005
Compensated Absences	$0	$467	$0	$467

11. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the Grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the school.

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. These adjustment figures are not available at this time.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) School's program violates the state Constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2005, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any on the ARISE Sport Management Academy Community School is not presently determinable.

12. RELATED PARTY TRANSACTIONS

The Academy contracted with Kids 2000 to perform extended educational services. One member of Kids 2000 also serves on the Academy's Governing Board. Total payments made for these services during the fiscal year ended June 30, 2005 were $23,769.

The Governing Board of the Academy is the same governing board that operates Peterson Entrepreneurial Training Enterprise, with which it shares operating facilities and the related lease. (See Note 8).

13. PURCHASED SERVICES

For the period ended June 30, 2005, purchased service expenses were payments for services rendered by various vendors as follows:

Instruction Services	$ 1,292
Management Services	68,170
Professional and Legal Services	2,774
Data Processing Services	202,789
Repairs and Maintenance Services	14,316
Telephone Services	7,300
Advertising	3,765
Other Purchased Services	37,154
Total	$337,560

14. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The Academy 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 $3,605 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.

15. SUBSEQUENT EVENTS

Eaton Computer Company provides technical services and supplies to the Academy. The owner of the company became a member of the governing board beginning fiscal year 2006.

During fiscal year 2006, the Academy leased its building from RNS Equities LLC. One of the partners of this company became a member of the governing board beginning fiscal year 2006.

On September 16, 2005 the Governing Board approved a contract with Educational Resource Consultants of Ohio to serve as sponsor, retroactive to August 1, 2005.

16. MANAGEMENT’S PLAN REGARDING DEFICIT

The School has applied for federal start-up funds, will closely monitor the allocation of salaries in proportion to budget, and make sure the summer school spending is charges appropriately.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Governing Board:

We have audited the financial statements the business-type activities, of Arise Sports Management Academy (the Academy) as of and for the fiscal year ended June 30, 2005, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions described in the accompanying schedule of findings as items 2005-001 through 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-004 listed above to be material weakness. In a separate letter to the Academy's management dated May 19, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

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

We intend this report solely for the information and use of the management and governing board. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 19, 2006

ARISE SPORTS MANAGEMENT ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2005

FINDING NUMBER 2005-001

Employment Practices

Four of the Academy's employees did not have contracts and another began work prior to the beginning date listed on the salary notification. Additionally, nine employees were not listed in the minutes as being approved by the Board. The only authorization found was a list from the principal.

All employees of the Academy 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.

FINDING NUMBER 2005-002

Purchasing Procedures

The Academy's unofficial purchasing procedures included the use of purchase orders with the Chief Executive Officer's approval. However, 14 of the 44 purchase orders tested, or 32%, did not have the approval of the Chief Executive Officer (CEO). In addition, $14,400 payments to the management company did not have invoices. To strengthen internal controls, the Board should develop a formal purchasing policy and implement procedures including required approvals, dollar limits on purchases, and periodic review by independent personnel to provide consistency and guidance in the use of funds.

FINDING NUMBER 2005-003

Review of Invoices

The Academy received and paid an invoice from Colin Powell Leadership Academy (CPLA) in the amount of $1,569.29 for a staff meeting and boat cruise in Cincinnati attended by the Academy's governing board members that was initially paid by CPLA, Cleveland Academy of Scholarship Technology and Leadership Enterprise (CASTLE). The original hotel and boat cruise invoices determined that only $643.77 was owed by the Academy to CPLA. A finding for recovery has been issued in the CPLA audit in the amount of $925.52 to repay the Academy. This amount was repaid by CPLA via check #007195, dated May 22, 2006.

The Academy's management should review invoices thoroughly to determine that all expenditures are for allowable expenditures, for proper public purpose, and properly approved by the Governing Board. Additionally, when costs are shared among schools, due care should be taken to provide for the accurate allocation on costs among all participating entities.

FINDING NUMBER 2005-004

Going Concern

The Academy incurred a working capital deficiency of $7,219 as of June 30, 2005, which represents 16% of the total assets, and net assets of ($7,686) which indicates a lack of routine monitoring of the financial activity of the Academy. This condition could restrict the Academy's ability to meet its obligations and operate in the future. Accordingly, there is substantial doubt about the Academy's ability to continue as a going concern. Management should develop and implement a detailed plan regarding this situation. Procedures should then be developed and implemented to monitor the progress of this plan and all future financial activity to prevent the improper obligation of funds/assets.

Auditor of State
Betty Montgomery

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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
JULY 6, 2006