

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2012**





# Dave Yost • Auditor of State

Board of Directors  
Pleasant Education Academy  
1107 Owens Road West  
Marion, Ohio 43302

We have reviewed the *Independent Auditors' Report* of the Pleasant Education Academy, Marion County, prepared by Holbrook & Manter, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 4, 2013

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**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pleasant Education Academy  
Marion County  
Marion, Ohio

We have audited the accompanying financial statements of Pleasant Education Academy, (the Academy), Marion County, Ohio, a component unit of Pleasant Local School District, Marion County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the Pleasant Education 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 an opinion 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pleasant Education Academy, as of June 30, 2012, and the respective changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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*. You should read it in conjunction with this report in assessing the results of our audit.

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



Certified Public Accountants

December 14, 2012

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The discussion and analysis of the Pleasant Education Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

***FINANCIAL HIGHLIGHTS***

The Academy, a school for students who have dropped out of high school or are at risk of dropping out of high school, completed its first year of operation in fiscal year 2011 with an enrollment of thirty-three students.

Key financial highlights for 2012 are as follows:

- Net assets increased \$58,165, for the fiscal year ended June 30, 2012.
- Total assets decreased \$33,150, primarily due to a decrease in cash and cash equivalents.
- Total liabilities decreased \$91,315 due to decreases in accounts payable and intergovernmental payable.

***USING THE BASIC FINANCIAL STATEMENTS***

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 Academy did financially during fiscal year 2012. 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 Academy'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 Academy 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.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
UNAUDITED**

*USING THE BASIC FINANCIAL STATEMENTS* (continued)

Table 1 below provides a summary of the Academy's net assets for fiscal year 2012 and fiscal year 2011.

	<b>Table 1</b>	<b>2012</b>	<b>2011</b>
	<b>Net Assets</b>	<u>          </u>	<u>          </u>
<b><u>Assets:</u></b>			
Current assets	\$	69,522	\$ 145,864
Capital assets, net		<u>180,653</u>	<u>137,461</u>
Total assets		250,175	283,325
<b><u>Liabilities:</u></b>			
Current liabilities		<u>46,763</u>	<u>138,078</u>
<b><u>Net Assets:</u></b>			
Invested in capital assets		180,653	137,461
Unrestricted		<u>22,759</u>	<u>7,786</u>
<b>Total net assets</b>	<b>\$</b>	<b><u>203,412</u></b>	<b><u>\$ 145,247</u></b>

Current assets at fiscal year end consist of cash and cash equivalents and intergovernmental receivables. Capital assets are comprised of computers and related equipment. There was \$103,078 of capital asset additions in fiscal year 2012 and \$59,886 of depreciation on existing capital assets resulting in an overall increase in net capital assets. The Academy had current liabilities of \$46,763 consisting of accounts and intergovernmental payables at June 30, 2012.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
UNAUDITED**

**USING THE BASIC FINANCIAL STATEMENTS** (continued)

Table 2 reflects the change in net assets for the fiscal year 2012 and fiscal year 2011.

**Table 2  
Change in Net Assets**

	<u>2012</u>	<u>2011</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 202,198	\$ 189,936
Miscellaneous revenue	100	50
<b><u>Non-Operating Revenues:</u></b>		
State and federal grants	<u>222,206</u>	<u>294,526</u>
Total revenues	<u>424,504</u>	<u>484,512</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	251,426	258,222
Materials and supplies	52,528	66,007
Other	2,499	188
Depreciation	<u>59,886</u>	<u>34,213</u>
Total operating expenses	<u>366,339</u>	<u>358,630</u>
Increase in Net Assets	58,165	125,882
Net assets at beginning of year	<u>145,247</u>	<u>19,365</u>
<b>Net assets at end of year</b>	<b><u><u>\$ 203,412</u></u></b>	<b><u><u>\$ 145,247</u></u></b>

For fiscal years 2012 and 2011, the first two years of operations, the Academy was awarded a federal Public Charter School Program grant to help cover start-up costs of supplies, equipment, and related services. Overall, state and federal grants decreased in fiscal year 2012, in part, as a result of one-time federal stimulus grant funds received for fiscal year 2011. Expenses in fiscal year 2012 included instructional services and related supplies and equipment. The Academy reported an overall increase in net assets.

**BUDGETING**

The Academy is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, however; the contract between the Academy and its Sponsor does prescribe a budgetary review.

**CAPITAL ASSETS**

At the end of fiscal year 2012, the Academy had \$180,653 invested in capital assets (net of accumulated depreciation). For further information regarding the Academy's capital assets, refer to Note 6 to the basic financial statements.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012  
UNAUDITED**

***CURRENT ISSUES***

The Academy was established to provide educational services for students age sixteen to twenty-two who have either dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, suspensions or other factors that may impede their educational progress. The Academy finished its second year of operations in 2011-2012 with fourteen students successfully meeting all graduation requirements.

With the additional monies generated through federal grant funds, the Academy has been able to purchase new computer equipment and curriculum items to enhance the instructional delivery to its students.

In August 2012, the Academy was awarded a federal Small Rural School Achievement Grant in the amount of \$20,000.

***CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and reflect the Academy's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional financial information should be directed to Beth Collier, Treasurer, Pleasant Education Academy, 1107 Owens Road West, Marion, Ohio 43302.

**BASIC  
FINANCIAL STATEMENTS**

**PLEASANT EDUCATION ACADEMY**  
**MARION COUNTY, OHIO**  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

**ASSETS:-**

Current Assets:-

Cash and cash equivalents	\$ 3,024
Intergovernmental receivables	66,498
Total current assets	<u>69,522</u>

Non-Current Assets:-

Capital assets, net	<u>180,653</u>
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<b>Total assets</b>	<u>250,175</u>
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**CURRENT LIABILITIES:-**

Accounts payable	12,638
Intergovernmental payable	<u>34,125</u>

<b>Total liabilities</b>	<u>46,763</u>
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**NET ASSETS:-**

Invested in capital assets	180,653
Unrestricted	<u>22,759</u>

<b>Total net assets</b>	<u><u>\$ 203,412</u></u>
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See accompanying Notes to the Basic Financial Statements.

**PLEASANT EDUCATION ACADEMY**  
**MARION COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

**OPERATING REVENUES:-**

State foundation	\$ 202,198
Miscellaneous revenue	100
Total operating revenue	<u>202,298</u>

**OPERATING EXPENSES:-**

Purchased services	251,426
Materials and supplies	52,528
Depreciation	59,886
Other operating expenses	2,499
Total operating expenses	<u>366,339</u>

Operating loss ( 164,041)

**NON-OPERATING REVENUES:-**

State and federal grants 222,206

Change in net assets 58,165

**Net assets at beginning of year** 145,247

**Net assets at end of year** \$ 203,412

See accompanying Notes to the Basic Financial Statements.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:-**

Cash received from foundation	\$	200,676
Cash received from other revenue		100
Cash payments for services	(	332,165)
Cash payments for supplies	(	63,104)
Cash payments for other expenses	(	<u>2,499)</u>
 Net cash used by operating activities	 (	 196,992)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:-**

Cash received from state and federal grants		227,752
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-**

Acquisition of capital assets	(	<u>103,078)</u>
Net increase in cash and cash equivalents	(	72,318)
<b>Cash and cash equivalents at beginning of year</b>		<u>75,342</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$</b>	<b><u><u>3,024</u></u></b>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-**

Operating loss	\$ (	164,041)
Adjustments to reconcile operating loss to net cash used for operating activities:-		
Depreciation		59,886
Changes in assets and liabilities:-		
(Increase) in intergovernmental receivable	(	1,522)
(Decrease) in accounts payable	(	10,499)
(Decrease) in intergovernmental payable	(	<u>80,816)</u>
<b>Net cash used in operating activities</b>	<b>\$ (</b>	<b><u><u>196,992)</u></u></b>

See accompanying Notes to the Basic Financial Statements.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - DESCRIPTION OF THE SCHOOL:-**

The Pleasant Education Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved 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’s objective is to deliver a comprehensive educational program for students between sixteen and twenty-two years of age who have dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, suspensions or other factors that may impede their educational progress. The Academy, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Pleasant Local School District (the “Sponsor”) for a five-year period commencing on the first day of the 2010-2011 academic year. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Academy with the Treasurer of the Sponsor performing the role of Treasurer for the Academy.

The Academy operates under the direction of a five-member Board of Directors, a majority of which shall be elected or appointed public officials or public employees, or shall be other community leaders, as set forth in the Academy’s Code of Regulations. The Board of Directors may also include one or more parents of students enrolled in the Academy or civic leaders, also as set forth in the Academy’s Code of Regulations. The Sponsor appointed a majority of the board and can impose its will on the Academy; therefore, the Academy is a component unit of the Sponsor. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget; developing policies to guide the operation of the Academy; securing funding; and maintaining a commitment to the vision, mission, and belief statements of the Academy. During fiscal year 2011, the Academy purchased services from TRECA for providing instructional, administrative, and technical services for the Academy.

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

The basic financial statements (BFS) of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy 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 entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy’s accounting policies.

***A. Basis of Presentation***

The Academy’s basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

The Academy uses a single enterprise presentation for its financial reports. Enterprise fund accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

***B. Measurement Focus***

The Academy is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and change in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the Academy finances and meets its 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 Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

***D. Budgetary Process***

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary review.

***E. Cash and Cash Equivalents***

Cash held by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2012.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year in which services are consumed. There were no prepaid items for the fiscal year ended June 30, 2012.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

***G. Capital Assets and Depreciation***

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not have any infrastructure. 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 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. Capital assets, currently consisting of equipment, are depreciated over three years.

***H. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. The Academy did not have any net assets restricted by enabling legislation at fiscal year end.

***I. Intergovernmental Revenue***

Pleasant Education Academy participates in the State foundation program. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which Pleasant Education Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Pleasant Education Academy on a reimbursement basis.

***J. Operating Revenue and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

***K. 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.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES:-**

For fiscal year 2012, Pleasant Education Academy has implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53.”

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of Pleasant Education Academy.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of Pleasant Education Academy.

**NOTE 4 - DEPOSITS:-**

Custodial credit risk is the risk that in the event of bank failure, the Academy’s deposits may not be returned. The Academy does not have a policy for custodial credit risk. At June 30, 2012, the bank balance of the Academy’s deposits was \$24,307. The full amount of the bank balance was covered by federal depository insurance.

**NOTE 5 - RECEIVABLES:-**

At June 30, 2012, the Academy had intergovernmental receivables in the amount of \$64,976 for the Public Charter School Program Grant and \$1,522 for School Foundation. The receivables are expected to be collected within one year.

**NOTE 6 - CAPITAL ASSETS:-**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<b>Balance at 6/30/2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at 6/30/2011</b>
Equipment	\$ 173,018	\$ 103,078	\$ 0	\$ 276,096
Less accumulated depreciation	( 35,557)	( 59,886)	0	( 95,443)
<b>Net capital assets</b>	<b>\$ 137,461</b>	<b>\$ 43,192</b>	<b>\$ 0</b>	<b>\$ 180,653</b>

**NOTE 7 - RISK MANAGEMENT:-**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, insurance coverage for the Academy was provided through Pleasant Local School District’s policy with Argonaut Insurance Group as follows:

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 7 - RISK MANAGEMENT:-** (continued)

Coverage provided by Argonaut Insurance Group:

General Liability

Each Occurrence	\$1,000,000
Aggregate	\$3,000,000

Settled claims have not exceeded this commercial coverage for the past two fiscal years, and there has been no significant reduction in insurance coverage from the prior year.

**NOTE 8 - FISCAL AGENT:-**

The sponsorship agreement states the Treasurer of Pleasant Local School District shall serve as the fiscal officer of the Academy.

The treasurer of Pleasant Local School District shall perform the following functions while serving as the Treasurer of the Academy:

- A. Maintain the financial records for the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State.
- B. Comply with the policies and procedures regarding internal financial control of the Academy; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**NOTE 9 - SERVICE AGREEMENT:-**

***Tri-Rivers Educational Computer Association***

The Academy entered into an agreement on August 11, 2011, with the Tri-Rivers Educational Computer Association (TRECA) for management consulting services for the 2011-2012 school year. Under the contract, the following terms were agreed upon:

- 1. TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to substantially implement, in cooperation with the Academy's and the Academy's sponsoring school district board of education the Academy's educational plan and the Academy's assessment and accountability plan.
- 2. All personnel providing services to the Academy on behalf of TRECA under the agreement shall be employees or contractors of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions, and all other legal withholding and or payroll taxes with respect to its personnel. All personnel providing such services shall possess any certification or licensure which may be required by law.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 9 - SERVICE AGREEMENT:-** (continued)

3. The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
4. The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the school with primary responsibility for day-to-day operations of the Academy.
5. Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
6. In exchange for the services and support (including equipment) provided by TRECA, the Academy shall pay to TRECA \$3,000 for the comprehensive service package and \$300 for the HQT PLATO service package per full-time student enrolled in PEA per year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2012, \$41,160 was paid to TRECA. To obtain TRECA's June 30, 2012, audited financial statements contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

**NOTE 10 - RELATED PARTY TRANSACTIONS:-**

The Academy is a component unit of the Sponsor (Pleasant Local School District). The Academy and Pleasant Local School District entered into a 5-year sponsorship agreement commencing on July 1, 2010, whereby terms of the sponsorship were established. Pursuant to this agreement, Pleasant Local School District's Treasurer serves as the Academy's fiscal officer.

In fiscal year 2012, payments for instructional and other support services made by the Academy to Pleasant Local School District were \$178,139.

Payments made by the Academy to TRECA in fiscal year 2012 were \$41,160. This consists of \$34,072 in student charges and \$5,166 in professional development charges, and \$1,922 in miscellaneous fees.

**NOTE 11 - CONTINGENCIES:-**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of education at a later date.

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2012, if applicable, cannot be determined at this time.

**PLEASANT EDUCATION ACADEMY  
MARION COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 11 - CONTINGENCIES:-** (continued)

***B. Ohio Department of Education Enrollment Review***

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Academy is owed \$1,522 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

**NOTE 12 - SUBSEQUENT EVENTS:-**

Management has evaluated subsequent events through December 14, 2012, the date which financial statements were available to be issued.



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

Board of Directors  
Pleasant Education Academy  
Marion County  
Marion, Ohio

We have audited the financial statements of Pleasant Education Academy, Marion County, Ohio (the Academy), a component unit of Pleasant Local School District, Marion County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the Pleasant Education Academy's basic financial statements and have issued our report thereon dated December 14, 2012. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Pleasant Education Academy's internal control over financial reporting.

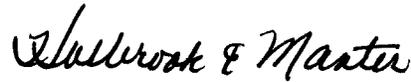
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Pleasant Education Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### 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 management and the Board of Directors of Pleasant Education Academy, the community school's sponsor, and others within Pleasant Education Academy. We intend it for no one other than these specified parties.



Certified Public Accountants

December 14, 2012



# Dave Yost • Auditor of State

**PLEASANT EDUCATION ACADEMY**

**MARION 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  
FEBRUARY 14, 2013**