



Mary Taylor, CPA
Auditor of State

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Digital Academy
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Directors:

We have audited the accompanying basic financial statements of the Pleasant Digital Academy, Marion County, Ohio (the Academy), a component unit of the Pleasant Local School District, as of and for the year ended June 30, 2007, 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 Digital Academy, Marion County, Ohio, as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, 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 Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 16, 2007

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Pleasant Digital Academy's (PDA) financial performance provides an overall review of PDA's financial activities for the fiscal year ended June 30, 2007. Readers should also review the basic financial statements and notes to enhance their understanding of PDA's financial performance.

Highlights

PDA, an Online Internet School, as well as a regular school for Pleasant native kindergarten students, completed its third year of operation in fiscal year 2007 with an enrollment of eighty-four students. This represents a slight decrease from fiscal year 2006 enrollment of eighty-eight students

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 PDA did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report PDA'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 PDA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of PDA's net assets for fiscal year 2007 and fiscal year 2006:

Table 1
Net Assets

	<u>2007</u>	<u>2006</u>
<u>Assets:</u>		
Current Assets	\$252,414	\$219,554
Capital Assets, Net	50,420	58,253
Total Assets	<u>302,834</u>	<u>277,807</u>
<u>Liabilities:</u>		
Current Liabilities	<u>0</u>	<u>0</u>
<u>Net Assets:</u>		
Invested in Capital Assets	50,420	58,253
Unrestricted	252,414	219,554
Total Net Assets	<u>\$302,834</u>	<u>\$277,807</u>

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Current assets at fiscal year end consist primarily of cash and cash equivalents and intergovernmental receivables related to PDA's Title I and Title VI-B Grants. The increase in current assets is due to an increase in cash, which is a result of cash receipts exceeding cash disbursements for the fiscal year. Capital assets are comprised of computers and related equipment. New computer equipment was purchased during the fiscal year; however, depreciation on existing capital assets resulted in an overall decrease in net capital assets. PDA had no liabilities at fiscal year end.

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

Table 2
Change in Net Assets

	2007	2006
<u>Operating Revenues:</u>		
Foundation	\$269,675	\$296,179
Other	23,998	0
<u>Non-Operating Revenues:</u>		
Operating Grants	29,270	187,588
Interest Revenue	7,865	4,639
Total Revenues	330,808	488,406
 <u>Operating Expenses:</u>		
Purchased Services	257,210	245,794
Materials and Supplies	1,292	83,535
Depreciation	43,181	30,535
Other Operating Expenses	4,098	4,205
Total Expenses	305,781	364,069
Increase in Net Assets	25,027	124,337
Net Assets at Beginning of Year	277,807	153,470
Net Assets at End of Year	\$302,834	\$277,807

For fiscal year 2007, there was a decrease in State foundation revenues due to a slight decrease in enrollment. There was also a significant decrease in operating grants as a result of fiscal year 2006 being the final year PDA received funding through the Federal Charter School start-up grant program. Although revenues decreased, expenses also significantly decreased which resulted in PDA reporting an overall increase in net assets for the fiscal year.

Budgeting

PDA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

At the end of fiscal year 2007, PDA had \$50,420 invested in capital assets (net of accumulated depreciation). For further information regarding PDA's capital assets, refer to Note 4 to the basic financial statements.

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Current Issues

In July, 2007, PDA converted from an e-school to a site-based school as the majority of students are resident kindergarten students attending regular classrooms at Pleasant Local School District. Other students enrolled in PDA include individuals taking classes online to supplement the classes they are taking in regular classroom settings while some are full-time online students. There is a niche for students with learning difficulties, or students that need one-on-one help, which they can receive online. With the additional monies generated through federal grants, PDA has been able to purchase new computer equipment and curriculum items for the kindergarten classes over the past three years.

Contacting PDA's Financial Management

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

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**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 224,871
Intergovernmental Receivable	24,285
Prepaid Items	3,258
Total Current Assets	<u>252,414</u>

Non-Current Assets:

Depreciable Capital Assets, Net	<u>50,420</u>
Total Assets	<u><u>302,834</u></u>

Net Assets:

Invested in Capital Assets	50,420
Unrestricted	<u>252,414</u>
Total Net Assets	<u><u>\$ 302,834</u></u>

See Accompanying Notes to Basic Financial Statements

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Operating Revenues:</u>	
Foundation	\$ 269,675
Other	23,998
Total Operating Revenue	<u>293,673</u>
 <u>Operating Expenses:</u>	
Purchased Services	257,210
Materials and Supplies	1,292
Depreciation	43,181
Other Operating Expenses	4,098
Total Operating Expenses	<u>305,781</u>
 Operating Loss	 <u>(12,108)</u>
 <u>Non-Operating Revenues:</u>	
Operating Grants	29,270
Interest Revenue	7,865
Total Non-Operating Revenues	<u>37,135</u>
 Change in Net Assets	 25,027
 Net Assets at Beginning of Year	 277,807
Net Assets at End of Year	<u><u>\$ 302,834</u></u>

See Accompanying Notes to the Basic Financial Statements

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$ 269,675
Cash Received from Other Revenue	23,998
Cash Payments for Services	(259,182)
Cash Payments for Supplies	(1,292)
Cash Payments for Other Expenses	(4,098)
Net Cash Used for Operating Activities	29,101

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	28,404
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Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	(35,348)
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Cash Flows from Investing Activities:

Cash Received from Interest	7,865
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Net Increase in Cash and Cash Equivalents	30,022
Cash and Cash Equivalents at Beginning of Year	194,849
Cash and Cash Equivalents at End of Year	224,871

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(12,108)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	43,181
Changes in Assets and Liabilities:	
(Increase) in Intergovernmental Receivable	(3,419)
Decrease in Prepaid Items	1,447
Net Cash Used for Operating Activities	\$ 29,101

See Accompanying Notes to the Basic Financial Statements

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**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Note 1 - Description of the School

Pleasant Digital Academy (PDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. PDA 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 PDA's tax exempt status. PDA's objective is to enhance and facilitate student learning by combining state-of-the-art digital curriculum and instruction with access to local school resources that complement that instruction and prepare students to become lifelong learners and productive citizens. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. PDA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. PDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

PDA was initially 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 2002 academic year. The sponsorship contract was subsequently renewed for an additional five-year period commencing on the first day of the 2006-2007 academic year. Pleasant Local School District is responsible for evaluating the performance of PDA and has the authority to deny renewal of the contract at its expiration. Pleasant Local School District is also the fiscal agent of PDA with the Treasurer of Pleasant Local School District performing the role of Treasurer for PDA.

PDA operates under the direction of a seven-member Board of Directors made up of the Superintendent, the High School Principal, the Elementary School Principal, and the Director of Education of the Pleasant Local School District, and three members from the public. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of PDA. The second public member shall be a representative appointed by the Tri-Rivers Educational Computer Association (TRECA). The member appointed by TRECA will eventually be replaced by a person who represents the interests of parents and students served by PDA. The third public member shall be an at large community member. The Sponsor makes up a majority of the Board and can impose its will on PDA; therefore, PDA is a component unit of the Pleasant Local School District. 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 PDA; securing funding; and maintaining a commitment to the vision, mission, and belief statements of PDA. During fiscal year 2007, PDA purchased services from TRECA for providing the instructional, administrative, and technical services for PDA.

PDA participates in the Ohio School Plan, an insurance pool. This organization is presented in Note 9 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of PDA 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. PDA 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. PDA does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. Following are the more significant of PDA's accounting policies.

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

PDA'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.

PDA uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, change in net assets, financial position, and cash flows. Enterprise fund accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

PDA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of PDA 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 PDA 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. PDA'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 nonexchange transactions, in which PDA 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 PDA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to PDA 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 the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by PDA's contract with its Sponsor. The contract between PDA and its Sponsor does prescribe a budgetary review.

E. Cash and Cash Equivalents

Cash held by PDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2007, PDA had no investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. PDA maintains a capitalization threshold of five hundred dollars. PDA 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 the enabling legislation adopted by PDA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. PDA first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. PDA did not have any net assets restricted by enabling legislation at fiscal year end.

I. Operating Revenues and Expenses

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

J. Estimates

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

Note 3 - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, PDA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$133,721 of the PDA's bank balance of \$233,721 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Depreciable Capital Assets				
Equipment	\$105,893	\$35,348	\$0	\$141,241
Less Accumulated Depreciation	(47,640)	(43,181)	0	(90,821)
Capital Assets, Net	\$58,253	(\$7,833)	\$0	\$50,420

Note 5 - Risk Management

PDA 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 2007, PDA contracted for the following insurance coverage:

Coverage provided by the Ohio School Plan:

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.

For fiscal year 2007, PDA participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Note 6 - Fiscal Agent

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

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

- A. Maintain the financial records of PDA 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 PDA; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 7 - Contract with TRECA

PDA entered into a contract on July 13, 2006, with the Tri-Rivers Educational Computer Association (TRECA) for management consulting services for the 2006-2007 school year. Under the contract, the following terms were agreed upon:

1. TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement PDA's educational plan and PDA's assessment and accountability plan.
2. All personnel providing services to PDA on behalf of TRECA under the agreement shall be employees 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 such personnel. All shall possess any certification or licensure which may be required by law.
3. The technical services provided by TRECA to PDA 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. PDA 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 PDA.
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, PDA shall pay to TRECA \$3,650 per full-time student enrolled in PDA per year. Part-time students may be enrolled on such terms as are agreed to by the parties.

For fiscal year 2007, \$29,447 was paid to TRECA.

To obtain TRECA's June 30, 2007, audited financial statements contact Scott Armstrong, Treasurer, at scott@treca.org.

Note 8 - Related Party Transactions

PDA is a component unit of the Sponsor (Pleasant Local School District). PDA and Pleasant Local School District entered into a 5-year sponsorship agreement on December 16, 2002, whereby terms of the sponsorship were established. Pursuant to this agreement, Pleasant Local School District's Treasurer serves as PDA's fiscal officer.

In fiscal year 2007, payments made by PDA to Pleasant Local School District were \$229,246. These represent payments of \$179,634 for kindergarten teachers provided by Pleasant Local School District to PDA and \$49,612 for other services provided by Pleasant Local School District to PDA.

Payments made by PDA to TRECA in fiscal year 2007 were \$31,969. This consists of \$29,447 in student charges and \$2,522 in miscellaneous fees.

**PLEASANT DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 9 - Insurance Pool

PDA participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Note 10 - Contingencies

A. Grants

PDA 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of PDA at June 30, 2007.

B. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v State of Ohio, et al.*, Case#: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, OR.C Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. This case is currently pending, and the effect of this suit, if any, on PDA cannot presently be determined.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. The results of the fiscal year 2007 review are not yet available; however it is the opinion of management that any such adjustments would not have a material effect on the overall financial position of PDA at June 30, 2007.



Mary Taylor, CPA

Auditor of State

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

Pleasant Digital Academy
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Directors:

We have audited the financial statements of the Pleasant Digital Academy, Marion County, Ohio (the Academy), a component unit of the Pleasant Local School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
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www.auditor.state.oh.us

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 the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 16, 2007



Mary Taylor, CPA
Auditor of State

PLEASANT DIGITAL 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
NOVEMBER 15, 2007**