PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013

Dave Yost • Auditor of State

Board of Directors
Pleasant Education Academy
1107 Owens Road West
Marion, OH 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, 2012 through June 30, 2013. 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.

Dave Yost
Auditor of State

February 3, 2014

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PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pleasant Education Academy
Marion County
Marion, Ohio 43302

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Pleasant Education Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pleasant Education Academy, Marion County, Ohio, as of June 30, 2013, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the Academy adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during out audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Holbrook & Manter

Certified Public Accountants

December 19, 2013

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, 2013. 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 third year of operation in fiscal year 2013 with an enrollment of forty-eight students.

Key financial highlights for 2013 are as follows:

- Net assets increased $26,115 for the fiscal year ended June 30, 2013.
- Total assets decreased $15,913, as a result of increases in cash and cash equivalents, but offset by decreases in net capital assets.
- Total liabilities decreased $42,028 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 position and the statement of revenues, expenses, and change in net position reflect how the Academy did financially during fiscal year 2013. 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 position 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. The causes of this change may be the result of many factors, some financial, some not.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations.

USING THE BASIC FINANCIAL STATEMENTS (continued)

Table 1 below provides a summary of the Academy's net position for fiscal year 2013 and fiscal year 2012.

Table 1
Net Position

	2013	2012
Assets:		
Current assets	$ 142,827	$ 69,522
Capital assets, net	91,435	180,653
Total assets	234,262	250,175
Liabilities:		
Current liabilities	4,735	46,763
Net Assets:		
Invested in capital assets	91,435	180,653
Unrestricted	138,092	22,759
Total net position	$ 229,527	$ 203,412

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 $1,525 of capital asset additions in fiscal year 2013 and $90,743 of depreciation on existing capital assets resulting in an overall decrease in net capital assets. The Academy had current liabilities of $4,735 consisting of accounts payables at June 30, 2013.

At June 30, 2012, the Academy had $46,763 in accounts and intergovernmental receivables for services and equipment purchased with the federal Public Charter School Program grant program. As of June 30, 2013, that program was complete resulting in a significant decrease in accounts payable and intergovernmental payables at June 30, 2013.

USING THE BASIC FINANCIAL STATEMENTS (continued)

Table 2 reflects the change in net position for the fiscal year 2013 and fiscal year 2012.

Table 2
Change in Net Position

	2013	2012
Operating Revenues:		
State foundation	$ 297,150	$ 202,198
Miscellaneous revenue	1,118	100
Non-Operating Revenues:		
State and federal grants	35,678	222,206
Total revenues	333,946	424,504
Operating Expenses:		
Purchased services	203,098	251,426
Materials and supplies	8,789	52,528
Other	5,201	2,499
Depreciation	90,743	59,886
Total operating expenses	307,831	366,339
Increase in net position	26,115	58,165
Net position at beginning of year	203,412	145,247
Net position at end of year	$ 229,527	$ 203,412

Foundation revenue increased significantly in fiscal year 2013 as a result of increased enrollment.

For fiscal year 2012, the Academy was awarded a federal Public Charter School Program grant to help cover start-up costs of supplies, equipment, and related services. State and federal grants decreased in fiscal year 2013 as a result of the completion of that grant program.

Expenses in fiscal year 2013 included instructional services and related supplies and equipment. Overall, expenses decreased as a result of the completion of the Public Charter School Program grant in fiscal year 2012. 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 2013, the Academy had $91,435 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.

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 third year of operations in 2012-2013 with eighteen 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.

As a result of increased recruiting efforts, student enrollment for the 2012-2013 school year reached forty-eight students.

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 POSITION
AS OF JUNE 30, 2013

ASSETS:-		
Current Assets;-		
Cash and cash equivalents	$	118,377
Intergovernmental receivables		24,450
Total current assets		142,827
Non-Current Assets;-		
Capital assets, net		91,435
Total assets		234,262
CURRENT LIABILITIES:-		
Accounts payable		4,735
Total liabilities		4,735
NET POSITION:-		
Invested in capital assets		91,435
Unrestricted		138,092
Total net position	$	229,527

See accompanying Notes to the Basic Financial Statements.

PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES:-		
State foundation	$	297,150
Miscellaneous revenue		1,118
Total operating revenue		298,268
OPERATING EXPENSES:-		
Purchased services		203,098
Materials and supplies		8,789
Depreciation		90,743
Other operating expenses		5,201
Total operating expenses		307,831
Operating loss	(	9,563)
NON-OPERATING REVENUES:-		
State and federal grants		35,678
Change in net position		26,115
Net position at beginning of year		203,412
Net position at end of year	$	229,527

See accompanying Notes to the Basic Financial Statements.

PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:-		
Cash received from foundation	$	298,672
Cash received from other revenue		1,118
Cash payments for services	(	239,935)
Cash payments for supplies	(	13,980)
Cash payments for other expenses	(	5,201)
Net cash provided by operating activities		40,674
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:-		
Cash received from state and federal grants		76,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-		
Acquisition of capital assets	(	1,525)
Net increase in cash and cash equivalents		115,353
Cash and cash equivalents at beginning of year		3,024
Cash and cash equivalents at end of year	$	118,377
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-		
Operating loss	$ (	9,563)
Adjustments to reconcile operating loss to net cash provided for operating activities;-		
Depreciation		90,743
Changes in assets and liabilities;-		
(Increase) in intergovernmental receivable		1,522
(Decrease) in accounts payable	(	7,903)
(Decrease) in intergovernmental payable	(	34,125)
Net cash provided by operating activities	$	40,674

See accompanying Notes to the Basic Financial Statements.

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 2013, 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. 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 position; a statement of revenues, expenses, and change in net position; 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 position, financial position, and cash flows.

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 position. The statement of revenues, expenses, and change in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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 recoded 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 assts. The Academy had no investments during the fiscal year ended June 30, 2013.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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, 2013.

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 Position*

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position 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. Net position is 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 position is available. The Academy did not have any net position 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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES:-

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy. GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the 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, 2013, the bank balance of the Academy's deposits was $119,594. The full amount of the bank balance was covered by federal depository insurance.

NOTE 5 - RECEIVABLES:-

At June 30, 2013, the Academy had intergovernmental receivables in the amount of $4,450 for the Title I Grant and $20,000 for the Small Rural School Grant. The receivables are expected to be collected within one year.

NOTE 6 - CAPITAL ASSETS:-

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/2012	Additions	Disposals	Balance at 6/30/2013
Equipment	$ 276,096	$ 1,525	$ 0	$ 277,621
Less accumulated depreciation	(95,443)	(90,743)	0	(186,186)
Net capital assets	$ 180,653	$ (89,218)	$ 0	$ 91,435

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 2013, insurance coverage for the Academy was provided through Pleasant Local School District's policy with Argonaut Insurance Group as follows:

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 2012-2013 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.

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 2013, $36,103 was paid to TRECA. To obtain TRECA's June 30, 2013, audited financial statements contact Scott Armstrong, Treasurer, at 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 2013, payments for instructional and other support services made by the Academy to Pleasant Local School District were $194,964.

Payments made by the Academy to TRECA in fiscal year 2013 were $36,742. This consists of $36,103 in student charges and $294 in professional development charges, and $345 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, 2013, if applicable, cannot be determined at this time.

NOTE 12 - SUBSEQUENT EVENTS:-

Management has evaluated subsequent events through December 19, 2013, 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 43302

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the Pleasant Education Academy's basic financial statements and have issued our report thereon dated December 19, 2013, wherein we noted the Academy implemented Governmental accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holbrook & Manter

Certified Public Accountants

December 19, 2013

HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURE

Pleasant Education Academy
Marion County
1107 Owens Road
Marion, Ohio 43302

To the Board of Education:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Pleasant Education Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on **December 7, 2012** to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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

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

Holbrook & Manter

Certified Public Accountants

December 19, 2013

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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 13, 2014

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