

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Pleasant Community 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 Community Academy is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

February 1, 2013

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

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5-8
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets.....	9
Statement of Revenues, Expenses, and Changes in Net Assets.....	10
Statement of Cash Flows	11
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	12-18
INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	19-20

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pleasant Community Academy
Marion County
Marion, Ohio

We have audited the accompanying financial statements of the Pleasant Community Academy, Marion County, Ohio (the Academy), a component unit of the Pleasant Local School District, Marion County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express 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 Pleasant Community Academy, Marion County, Ohio, 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 November 20, 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.

The image shows a handwritten signature in black ink that reads "Shullbrook & Mante". The signature is written in a cursive, flowing style.

Certified Public Accountants

November 20, 2012

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

The discussion and analysis of the Pleasant Community 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

Key financial highlights for 2012 are as follows:

- In total, net assets were \$202,063 at June 30, 2012.
- Net assets increased \$87,641 for the fiscal year ended June 30, 2012.

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 COMMUNITY 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 2011.

**Table 1
Net Assets**

	2012	2011
<u>Assets:</u>		
Current Assets	\$ 193,997	\$ 113,366
Capital assets, net	23,603	22,429
Total Assets	217,600	135,795
<u>Liabilities:</u>		
Current liabilities	15,537	21,373
Total liabilities	15,537	21,373
<u>Net Assets:</u>		
Invested in capital assets	23,603	22,429
Unrestricted	178,460	91,993
Change in net assets	\$ 202,063	\$ 114,422

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 \$14,937 of capital asset additions in fiscal year 2012 and \$13,763 of depreciation on existing capital assets resulting in an overall increase in net capital assets. The Academy had current liabilities of \$15,537 consisting of accounts and intergovernmental payables at June 30, 2012.

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

Table 2 below shows the changes in net assets for the fiscal year 2012 and 2011.

**Table 2
Change in Net Assets**

	2012	2011
<u>Operating Revenues:</u>		
Foundation	\$ 383,164	\$ 337,982
Other revenue	4,127	1,843
<u>Non-operating Revenues:</u>		
Federal and state grants	65,224	91,339
Interest income	2	108
Total revenues	452,517	431,272
<u>Operating Expenses:</u>		
Purchased services	338,453	378,717
Materials and supplies	8,486	16,074
Depreciation	13,763	19,050
Other	4,174	5,162
Total operating revenue	364,876	419,003
Increase in Net Assets	87,641	12,269
Net assets at beginning of year	114,422	102,153
Change in net assets	\$ 202,063	\$ 114,422

For fiscal year 2012, there was an increase in foundation revenue as a result of parity aid and poverty-based assistance funding received with open-enrolled kindergarten students. State and federal grant revenue decreased in fiscal year 2012 as a result of the expiration of federal stimulus funds. Purchased services expense decreased due to the elimination of online instructional services. 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 \$23,603 invested in capital assets (net of accumulated depreciation). For further information regarding the Academy's capital assets, refer to Note 5 to the basic financial statements.

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

CURRENT ISSUES

In September, 2011, the Academy refocused its educational programing to include only kindergarten students attending regular classrooms at Pleasant Local School District. Students in grades 1-12 previously enrolled online through the Academy then had the option of enrolling in the TRECA Digital Academy for online instructional opportunities. With the additional monies generated through federal grants over the past eight years, the Academy has been able to purchase new computer equipment and curriculum items for the kindergarten classes.

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 to reflect the Academy'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 Community Academy, 1107 Owens Road West, Marion, Ohio 43302.

**BASIC
FINANCIAL STATEMENTS**

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

ASSETS:-

Current Assets:-

Cash and cash equivalents	\$	151,105
Intergovernmental receivables		<u>42,892</u>

Total current assets		<u>193,997</u>
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Non-Current Assets:-

Capital assets, net		<u>23,603</u>
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Total assets		<u>217,600</u>
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LIABILITIES:-

Accounts payable		14,937
Intergovernmental payable		<u>600</u>

Total liabilities		<u>15,537</u>
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NET ASSETS:-

Invested in capital assets		23,603
Unrestricted		<u>178,460</u>

Total net assets	\$	<u><u>202,063</u></u>
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See accompanying Notes to the Basic Financial Statements

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

OPERATING REVENUES:-	
Foundation	\$ 383,164
Other revenue	4,127
Total revenue	<u>387,291</u>
OPERATING EXPENSES:-	
Purchased services	338,453
Materials and supplies	8,486
Depreciation	13,763
Other operating expenses	4,174
Total expenses	<u>364,876</u>
Operating income	<u>22,415</u>
NON-OPERATING REVENUES:-	
Federal and state grants	65,224
Interest income	2
Total non-operation revenues	<u>65,226</u>
Change in net assets	87,641
Net assets at beginning of year	<u>114,422</u>
Net assets at end of year	<u>\$ 202,063</u>

See accompanying Notes to the Basic Financial Statements

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

CASH FLOWS FROM OPERATING ACTIVITIES:-

Cash received from foundation	\$	375,656
Cash received from other operations		4,727
Cash payments for services	(349,246)
Cash payments for supplies	(3,129)
Cash payments for other expenses	(<u>4,174)</u>

Net cash provided by operating activities		<u>23,834</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:-

Federal and state grants		<u>52,319</u>
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Net cash used by non-capital financing activities		<u>52,319</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:-

Acquisition of capital assets	(<u>14,937)</u>
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Net cash used in capital and related financing activities	(<u>14,937)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:-

Interest received		<u>2</u>
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Net cash provided by investing activities		<u>2</u>
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Net increase in cash and cash equivalents		61,218
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Cash and cash equivalents at beginning of year		<u>89,887</u>
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Cash and cash equivalents at end of year	\$	<u><u>151,105</u></u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:-

Operating income	\$	22,415
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ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-

Depreciation		13,763
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Changes in assets and liabilities:-

Decrease in prepaid items		1,000
Increase in intergovernmental receivables	(7,508)
Increase in accounts payable		4,772
Decrease in intergovernmental payable	(<u>10,608)</u>

Net cash provided by operating activities	\$	<u><u>23,834</u></u>
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See accompanying Notes to the Basic Financial Statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL:-

Pleasant Community Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a conversion-type site-based kindergarten level community school which utilizes certain resources of the sponsor, Pleasant Local School District, including facilities, equipment, instructional materials, curriculum and educational strategy in the delivery of the instructional program. 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, 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 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 has been renewed several times, most recently on August 10, 2010, for a period of four additional years. Pleasant Local School District is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. Pleasant Local School District is also the fiscal agent of the Academy with the Treasurer of Pleasant Local School District performing the role of Treasurer for the Academy.

The Academy 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 Middle School Principal 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 the Academy. 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 the Academy. 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 the Academy; therefore, the Academy 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 the Academy; securing funding; and maintaining a commitment to the vision, mission, and belief statements of the Academy. During fiscal year 2012, the Academy purchased services from TRECA for providing instructional, administrative, and technical services for the Academy.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

The basic financial statements 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 reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

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 the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe a budgetary review.

**PLEASANT COMMUNITY 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)

E. Cash and Cash Equivalents

Cash held by the Academy 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 2012, the Academy invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on 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 as of June 30, 2012.

G. Capital Assets and Depreciation

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. 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 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 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted assets are available. The Academy did not have any net assets restricted by enabling legislation at fiscal year-end.

**PLEASANT COMMUNITY 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)

I. Intergovernmental Revenue

Pleasant Community 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 has 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 Community Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to Pleasant Community Academy on a reimbursement basis.

J. Operating Revenues 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 GAAP requires the 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 2012, Pleasant Community 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 Community 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 Community Academy.

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

NOTE 4 - DEPOSITS AND INVESTMENTS:-

At fiscal year-end, the Academy's entire bank balance of \$153,989 was FDIC-insured.

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$ 1	Avg 52.5 days

STAR Ohio carries a rating of AAA by Standard and Poor's. The Academy has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 5 - CAPITAL ASSETS:-

A summary of capital assets at fiscal year ended June 30, 2012 was as follows:

	<u>Balance at 6/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/2012</u>
Equipment	\$ 209,303	\$ 14,937	\$ 0	\$ 224,240
Less accumulated depreciation	(186,874)	(13,763)	0	(200,637)
Net capital assets	<u>\$ 22,429</u>	<u>\$ 1,174</u>	<u>\$ 0</u>	<u>\$ 23,603</u>

NOTE 6 - RECEIVABLES:-

At June 30, 2012, the Academy had intergovernmental receivables in the amount of \$42,892. The receivables are expected to be collected within one year and are comprised as follows:

Rural Education Achievement Program	\$31,165
Title VI-B	4,219
State Foundation	7,508

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:

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.

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

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 of 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 - 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 4-year sponsorship agreement commencing on the first day of the 2010- 2011 academic year, 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 made by the Academy to Pleasant Local School District were \$338,759. These represent payments of \$283,059 for kindergarten instructional services and \$55,700 for other support services provided by Pleasant Local School District to the Academy.

NOTE 10 - 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 COMMUNITY ACADEMY
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 10 - CONTINGENCIES:- (continued)

B. 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. As a result of the review after fiscal year end, the Academy is owed \$7,508 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

NOTE 11 - SUBSEQUENT EVENTS:-

Management has evaluated subsequent events through November 20, 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 Community Academy
Marion County
Marion, Ohio

We have audited the basic financial statements of the Pleasant Community Academy, Marion County, Ohio (the Academy), a component unit of the Pleasant Local School District, Marion County, Ohio, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 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 Community Academy's internal control over financial reporting.

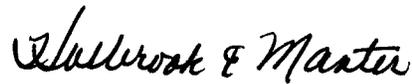
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Pleasant Community 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 would not necessarily identify all deficiencies in the internal control 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.

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 Community Academy, the community school's sponsor, and others within Pleasant Community Academy. We intend it for no one other than these specified parties.



Certified Public Accountants

November 20, 2012

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Dave Yost • Auditor of State

PLEASANT COMMUNITY 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**