

***PLEASANT EDUCATION ACADEMY
(A COMPONENT UNIT OF PLEASANT LOCAL
SCHOOL DISTRICT)
MARION COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015





Dave Yost • Auditor of State

Board of Directors
Pleasant Education Academy
1107 Owens Road West
Mark Long, OH 43302

We have reviewed the *Independent Auditor's Report* of the Pleasant Education Academy, Marion County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 26, 2016

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PLEASANT EDUCATION ACADEMY
(A COMPONENT UNIT OF PLEASANT LOCAL SCHOOL DISTRICT)
MARION COUNTY
AUDIT REPORT
For the year ended June 30, 2015

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Pleasant Education Academy (the Academy), a component unit of the Pleasant Local School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pleasant Education Academy, Marion County as of June 30, 2015, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

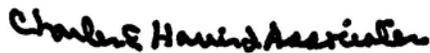
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 our 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 21, 2015 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.



Charles E. Harris & Associates, Inc.
December 21, 2015

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)

This 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, 2015. 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 fiscal year 2015 are as follows:

- Total net position decreased \$41,519 in fiscal year 2015, which represents a 14.2 percent decrease from fiscal year 2014.
- In 2015, total assets decreased \$29,678, which represents a 10.0 percent decrease from the fiscal year 2014.
- Total liabilities increased \$11,841 in fiscal year 2015, which represents an 368 percent increase from fiscal year 2014.

Using this Annual Financial Report

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 changes in net position reflect how the Academy did financially during the fiscal year ended June 30, 2015. 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 period revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net position and changes 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 during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)**

Table 1 provides a summary of the Academy's net position as of June 30, 2015 compared to 2014:

Table 1
Net Position

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------------|-------------------|
| Assets: | | |
| Current and other assets | \$ 235,609 | \$ 261,509 |
| Capital assets, net of depreciation | <u>31,309</u> | <u>35,087</u> |
| Total assets | <u>266,918</u> | <u>296,596</u> |
| Liabilities: | | |
| Current and other liabilities | <u>15,059</u> | <u>3,218</u> |
| Net Position: | | |
| Invested in capital assets | 31,309 | 35,087 |
| Restricted | 13,122 | 36,008 |
| Unrestricted | <u>207,428</u> | <u>222,283</u> |
| Total net position | <u>\$ 251,859</u> | <u>\$ 293,378</u> |

Total assets were \$266,918, which is a decrease of \$29,678 from the previous year. Total assets consisted of cash of \$220,481, intergovernmental receivables of \$15,128 and capital assets net of depreciation of \$31,309 for fiscal year 2015.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015 compared to 2014, as well as a listing of revenues and expenses.

Table 2
Changes in Net Position

| | 2015 | 2014 |
|-----------------------------------|------------|------------|
| Operating revenues: | | |
| State foundation revenues | \$ 166,327 | \$ 288,569 |
| State distributed casino revenues | 1,514 | 2,448 |
| Other revenues | 1,374 | 50 |
| Total operating revenues | 169,215 | 291,067 |
| Nonoperating revenues: | | |
| State and federal grants | 33,558 | 40,081 |
| Total revenues | 202,773 | 331,148 |
| Operating expenses: | | |
| Purchased services | 188,560 | 202,162 |
| Materials and supplies | 8,016 | 2,617 |
| Depreciation | 43,294 | 58,647 |
| Other | 4,422 | 3,871 |
| Total operating expenses | 244,292 | 267,297 |
| Change in net position | (41,519) | 63,851 |
| Net position, beginning of year | 293,378 | 229,527 |
| Net position, end of year | \$ 251,859 | \$ 293,378 |

Total net position decreased \$41,519 in the fiscal year 2015, which represents a 14.2 percent decrease from fiscal year 2014. This decrease is linked to decreased revenues due from decreased student enrollment. Community schools receive no support from local taxes. The state foundation program is the primary support for the Academy's existence.

Budgeting

The Academy is not required to follow the budgetary provision set forth in Ohio Revised Code Chapter 5705 but is required to submit a five year budget forecast as required by Ohio Revised Code Section 5705.391.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)

Capital Assets

The Academy had \$31,309 invested in capital assets (net of accumulated depreciation) for fiscal year 2015. The following table shows 2015 and 2014 balances:

Capital Assets, at Year End
(Net of Depreciation)

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|------------------|------------------|
| Furniture, fixtures and equipment | <u>\$ 31,309</u> | <u>\$ 35,087</u> |

Debt

The Academy did not incur any debt during the fiscal year ended June 30, 2015.

Current Financial 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 fifth year of operations in 2015. 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.

The Academy will strive to continue its success in future years and will continuously look for ways to enhance the student learning process. The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

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 Jolene Carter, Treasurer, Pleasant Education Academy, 1107 Owens Road West, Marion, Ohio 43302.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

ASSETS

Current assets:

| | |
|--|----------------|
| Equity in pooled cash and cash equivalents | \$ 220,481 |
| Intergovernmental receivables | 15,128 |
| Total current assets | <u>235,609</u> |

Noncurrent assets:

| | |
|-----------------------------------|------------------|
| Capital assets: | |
| Furniture, fixtures and equipment | 319,436 |
| Accumulated depreciation: | |
| Furniture, fixtures and equipment | <u>(288,127)</u> |
| Total noncurrent assets | <u>31,309</u> |
| Total assets | <u>266,918</u> |

LIABILITIES AND NET POSITION

Current liabilities:

| | |
|---------------------------|---------------|
| Accounts payable | <u>15,059</u> |
| Total current liabilities | <u>15,059</u> |

Net position:

| | |
|----------------------------|-------------------|
| Invested in capital assets | 31,309 |
| Restricted | 13,122 |
| Unrestricted | <u>207,428</u> |
| Total net position | <u>\$ 251,859</u> |

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, 2015

Operating revenues:

| | |
|-----------------------------------|------------|
| State foundation revenues | \$ 166,327 |
| State distributed casino revenues | 1,514 |
| Other revenues | 1,374 |
| | <hr/> |
| Total operating revenue | 169,215 |

Operating expenses:

| | |
|--------------------------|---------|
| Purchased services | 188,560 |
| Materials and supplies | 8,016 |
| Depreciation | 43,294 |
| Other | 4,422 |
| | <hr/> |
| Total operating expenses | 244,292 |

Operating loss (75,077)

Nonoperating revenues:

| | |
|-----------------------------|---------------|
| State and federal grants | <u>33,558</u> |
| Total nonoperating revenues | <u>33,558</u> |

Change in net position (41,519)

Net position at beginning of year 293,378

Net position at end of year \$ 251,859

See accompanying notes to the basic financial statements.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

| | |
|--|--------------------|
| Cash flows from operating activities: | |
| Cash received from foundation revenue | \$ 165,903 |
| Cash from casino tax revenue | 1,514 |
| Cash received from other revenue sources | 1,374 |
| Cash payments to suppliers for goods and services | (184,735) |
| Cash payment for other operating expenses | (4,422) |
| Net cash used for operating activities | <u>(20,366)</u> |
| Cash flows from noncapital financing activities: | |
| State and Federal grants | <u>79,177</u> |
| Net cash provided by noncapital financing activities | <u>79,177</u> |
| Cash flows from capital and related financing activities: | |
| Cash payments from capital acquisitions | <u>(39,516)</u> |
| Net cash used for capital and related financing activities | <u>(39,516)</u> |
| Net increase in cash | 19,295 |
| Cash at beginning of year | <u>201,186</u> |
| Cash at end of year | <u>\$ 220,481</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | <u>\$ (75,077)</u> |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 43,294 |
| Change in assets and liabilities: | |
| Increase in assets: | |
| Intergovernmental receivable | (424) |
| Decrease in liability: | |
| Accounts payable | <u>11,841</u> |
| Total adjustments | <u>54,711</u> |
| Net cash provided by operating activities | <u>\$ (20,366)</u> |

See accompanying notes to the basic financial statements.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Academy's accounting policies.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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 nonexchange 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 the Sponsor. The contract between the Academy and the Sponsor, the Board of Education of the Pleasant Local School District, does prescribe a budgetary review.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

E. Tax Exemption Status

The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy's status as an integral part of its sponsoring political subdivision, the Pleasant Local School District.

F. Cash and Cash Equivalents

Cash received by the Academy is maintained in a demand deposit account. Cash held by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. 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.

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 has maintained 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, but are expensed when incurred.

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 furniture, fixtures and equipment, are depreciated over three years.

H. Net Position

Net position represents the difference between assets and liabilities. 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.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

I. 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 nonoperating.

J. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Casino Tax Distribution and various federal grant and entitlement programs. Revenues received from the State Foundation Program and Casino Tax Distribution are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Revenues received from the various federal grants and entitlements are recognized as nonoperating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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.

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 these estimates.

NOTE 3 - 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. The carrying value of the Academy's deposits totaled \$220,481, and the bank balances of the deposits totaled \$225,201; all of which was fully insured by the federal deposit insurance corporation (FDIC).

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | <u>Balance</u> <u>7/1/2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>6/30/2015</u> |
|-----------------------------------|-----------------------------------|-------------------|------------------|------------------------------------|
| Furniture, fixtures and equipment | \$ 279,920 | \$ 39,516 | \$ - | \$ 319,436 |
| Less accumulated depreciation | <u>(244,833)</u> | <u>(43,294)</u> | <u>-</u> | <u>(288,127)</u> |
| | <u>\$ 35,087</u> | <u>\$ (3,778)</u> | <u>\$ -</u> | <u>\$ 31,309</u> |

NOTE 5 - RECEIVABLES

At June 30, 2015, receivables consisted of intergovernmental grants and entitlements. All receivables are considered collectable within one year. A summary of intergovernmental receivables is below:

| | <u>Receivable</u> |
|------------------------------|-------------------|
| General | \$ 1,764 |
| Title VI-B IDEA | 1,495 |
| Title I | 863 |
| Miscellaneous federal grants | <u>11,006</u> |
| Total | <u>\$ 15,128</u> |

NOTE 6 - PURCHASED SERVICES

For the fiscal year ended June 30 2015, purchased service expenses were payments for professional services rendered by various vendors as shown in Note 7 and 8.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - CONTRACT WITH TRECA AND META SOLUTIONS

The Academy entered into a contract, for the 2014-15 school year, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational, assessment and accountability plans. All personnel providing services provided by 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 its employees. All personnel providing such services shall possess any certification or licensure which may be required by law. On March 1, 2015 the contract with TRECA was assumed by the Metropolitan Educational Technology Association (META). META Solutions, a council of governments, was formed during the year from a merger of TRECA and the Metropolitan Educational Council (MEC). In fiscal year 2015, payments made by the Academy to TRECA and META Solutions were \$33,396. These represent payments for fiscal and student services provided by TRECA and META Solutions to the Academy. The Academy does not maintain an ongoing financial interest or an ongoing financial responsibility.

NOTE 8 - CONTRACT WITH PLEASANT LOCAL SCHOOL DISTRICT

The Community School Sponsorship Contract between Pleasant Education Academy and Pleasant Local School District (LSD) 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:

1. 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;
2. Comply with the policies and procedures regarding internal financial control of the Academy; and
3. Comply with the requirements and procedures for financial audits by the Auditor of the State.

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 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 2015, payments made by the Academy to Pleasant Local School District were \$64,758 for instructional services, \$41,819 for support services and \$28,500 for a rental agreement provided by Pleasant Local School District to the Academy.

**PLEASANT EDUCATION ACADEMY
MARION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - 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 2015, 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 10 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. Ohio Department of Education Enrollment Review

Following the close of the fiscal year, the Ohio Department of Education (ODE) completes a payment reconciliation by comparing what the Academy was paid during the fiscal year to what the Academy should have been paid. The reconciliation for fiscal year 2015 resulted in a calculation of an underpayment to the Academy of approximately \$1,764. This amount has been reflected as an intergovernmental receivable and will be calculated in foundation funding in fiscal year 2016.

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

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

To the Board of Directors:

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 the Pleasant Education Academy (the Academy), a component unit of Pleasant Local School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Controls 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.

Pleasant Education Academy
Marion County
Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and on Compliance and
Other Matters Required by *Government Auditing Standards*

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.



Charles E. Harris & Associates, Inc.

December 21, 2015

PLEASANT EDUCATION ACADEMY
MARION COUNTY
For the Year Ended June 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of June 30, 2014, reported no material citations or recommendations.



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
MARCH 17, 2016**