

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

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2016***







# Dave Yost • Auditor of State

Board of Directors  
Pleasant Community Academy  
1107 Owens Road W  
Marion, OH 43302

We have reviewed the *Report of Independent Auditors* of the Pleasant Community Academy, Marion County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. 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.

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

Dave Yost  
Auditor of State

April 26, 2017

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**PLEASANT COMMUNITY ACADEMY**  
**(A COMPONENT UNIT OF PLEASANT LOCAL SCHOOL DISTRICT)**  
**MARION COUNTY**  
**AUDIT REPORT**  
For the year ended June 30, 2016

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

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## **REPORT OF INDEPENDENT AUDITORS**

Pleasant Community 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 Community Academy (the Academy), a component unit of the Pleasant Local School District, as of and for the year ended June 30, 2016, 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 Community Academy as of June 30, 2016, 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 27, 2016 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 27, 2016



**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Unaudited)

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This 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, 2016. 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 2016 are as follows:

- Total net position increased \$194,485 in fiscal year 2016, which represents a 25.2 percent increase from fiscal year 2015.
- In 2016, total assets increased \$168,654, which represents a 19.6 percent increase from the fiscal year 2015.
- Total liabilities decreased \$25,831 in fiscal year 2016, which represents a 29.2 percent decrease from fiscal year 2015.

**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, 2016. 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 COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Unaudited)

Table 1 provides a summary of the Academy's net position as of June 30, 2016 compared to 2015:

Table 1  
Net Position

	2016	2015
<b>Assets:</b>		
Current and other assets	\$ 898,208	\$ 843,231
Capital assets, net of depreciation	130,701	17,024
Total assets	1,028,909	860,255
 <b>Liabilities:</b>		
Current and other liabilities	62,763	88,594
 <b>Net Position:</b>		
Invested in capital assets	130,701	17,024
Restricted	5,710	4,840
Unrestricted	829,735	749,797
Total net position	\$ 966,146	\$ 771,661

Total assets were \$1,028,909, which is an increase of \$168,654 from the previous year. Total assets consisted of cash of \$888,061, intergovernmental receivables of \$10,147 and capital assets net of depreciation of \$130,701 for fiscal year 2016.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2016 compared to 2015, as well as a listing of revenues and expenses.

Table 2  
Changes in Net Position

	2016	2015
<b>Operating revenues:</b>		
State foundation revenues	\$ 733,554	\$ 769,358
State distributed casino revenues	3,898	5,745
Other revenues	56	-
Total operating revenues	737,508	775,103
<b>Nonoperating revenues:</b>		
State and federal grants	58,683	33,992
Interest earnings	531	564
Total non-operating revenues	59,214	34,556
Total revenues	796,722	809,659
<b>Operating expenses:</b>		
Purchased services	553,973	476,974
Materials and supplies	34,010	71,686
Depreciation	10,833	8,481
Other	3,421	4,832
Total operating expenses	602,237	561,973
Change in net position	194,485	247,686
Net position, beginning of year	771,661	523,975
Net position, end of year	\$ 966,146	\$ 771,661

Total net position increased \$194,485 in the fiscal year 2016, which represents a 25.2 percent increase from fiscal year 2015. This increase is linked to an increased cash balance from increased state and federal grant revenues as well as conservative spending. 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 COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Unaudited)

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**Capital Assets**

The Academy had \$130,701 invested in capital assets (net of accumulated depreciation) for fiscal year 2016. The following table shows 2016 and 2015 balances:

	2016	2015
Furniture, fixtures and equipment	\$ 41,494	\$ 17,024
Vehicles	89,207	-
Total capital assets	<u>\$ 130,701</u>	<u>\$ 17,024</u>

**Debt**

The Academy did not incur any debt during the fiscal year ended June 30, 2016.

**Current Financial Issues**

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 Community Academy, 1107 Owens Road West, Marion, Ohio 43302.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

**ASSETS**

**Current assets:**

Equity in pooled cash and cash equivalents	\$ 888,061
Intergovernmental receivables	10,147
Total current assets	<u>898,208</u>

**Noncurrent assets:**

Capital assets:	
Furniture, fixtures and equipment	278,360
Vehicles	89,956
Accumulated depreciation:	
Furniture, fixtures and equipment	(236,866)
Vehicles	(749)
Total noncurrent assets	<u>130,701</u>
Total assets	<u>1,028,909</u>

**LIABILITIES AND NET POSITION**

**Current liabilities:**

Intergovernmental payable	82
Accounts payable	62,681
Total current liabilities	<u>62,763</u>

**Net position:**

Invested in capital assets	130,701
Restricted	5,710
Unrestricted	829,735
Total net position	<u>\$ 966,146</u>

See accompanying notes to the basic financial statements.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

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<b><u>Operating revenues:</u></b>	
State foundation revenues	\$ 733,554
State distributed casino revenues	3,898
Other operating revenues	56
Total operating revenue	<u>737,508</u>
<b><u>Operating expenses:</u></b>	
Purchased services	553,973
Materials and supplies	34,010
Depreciation	10,833
Other	3,421
Total operating expenses	<u>602,237</u>
Operating income	<u>135,271</u>
<b><u>Nonoperating revenues:</u></b>	
Interest	531
State and federal grants	58,683
Total nonoperating revenues	<u>59,214</u>
Change in net position	194,485
Net position at beginning of year	<u>771,661</u>
Net position at end of year	<u>\$ 966,146</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, 2016

<b>Cash flows from operating activities:</b>	
Cash received from foundation revenue	\$ 740,239
Cash from casino tax revenue	3,898
Cash payments to suppliers for goods and services	(613,896)
Cash payment for other operating expenses	(3,421)
Other operating revenues	56
Net cash provided by operating activities	<u>126,876</u>
<b>Cash flows from noncapital financing activities:</b>	
State and Federal grants	<u>58,432</u>
Net cash provided by noncapital financing activities	<u>58,432</u>
<b>Cash flows from capital and related financing activities:</b>	
Cash payments from capital acquisitions	<u>(124,510)</u>
Net cash used for capital and related financing activities	<u>(124,510)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>531</u>
Net cash provided by investing activities	<u>531</u>
Net increase in cash	61,329
Cash at beginning of year	<u>826,732</u>
Cash at end of year	<u>\$ 888,061</u>
 <b>Reconciliation of operating income to <u>net cash provided by operating activities:</u></b>	
Operating income	<u>\$ 135,271</u>
<b>Adjustments to reconcile operating income <u>to net cash provided by operating activities:</u></b>	
Depreciation	10,833
Change in assets and liabilities:	
(Increase) decrease in assets:	
Intergovernmental receivable	6,603
Increase (decrease) in liability:	
Accounts payable	(25,913)
Intergovernmental payable	82
Total adjustments	<u>(8,395)</u>
Net cash provided by operating activities	<u>\$ 126,876</u>

See accompanying notes to the basic financial statements.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

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 March 17, 2014, 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 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 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 COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**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 COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**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. During the fiscal year, investments were limited to an interest in STAROhio, the State Treasurer's Investment Pool.

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.

The Academy's investment in the State Treasury Asset Reserve of 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 and is recognized as an external investment pool by the Academy. The Academy measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**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 acquisition 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 expended when incurred.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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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.

**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.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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**

The carrying value of the Academy's deposits totaled \$888,061, and the bank balances of the deposits totaled \$889,583; all of which was not exposed to custodial credit risk as it was insured or collateralized by securities held by the Academy's agent in the Academy's name.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Academy deposits money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Additions	Disposals	Balance 6/30/2016
Capital assets, being depreciated:				
Equipment	\$ 243,806	\$ 34,554	\$ -	\$ 278,360
Vehicles	-	89,956	-	89,956
Total capital assets, being depreciated	<u>243,806</u>	<u>124,510</u>	<u>-</u>	<u>368,316</u>
Less: Accumulated depreciation				
Equipment	(226,782)	(10,084)	-	(236,866)
Vehicles	-	(749)	-	(749)
Total accumulated depreciation	<u>(226,782)</u>	<u>(10,833)</u>	<u>-</u>	<u>(237,615)</u>
Total capital assets being depreciated, net	<u>\$ 17,024</u>	<u>\$ 113,677</u>	<u>\$ -</u>	<u>\$ 130,701</u>

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 5 - RECEIVABLES**

At June 30, 2016, 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>
Miscellaneous federal grants	\$ 10,147

**NOTE 6 - PURCHASED SERVICES**

For the fiscal year ended June 30, 2016, purchased service expenses were payments for professional services rendered by various vendors as shown in Note 7.

**NOTE 7 - CONTRACT WITH PLEASANT LOCAL SCHOOL DISTRICT**

The Community School Sponsorship Contract between Pleasant Community 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:

- 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.

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 ending on the first day of the 2018-2019 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 2016, payments made by the Academy to Pleasant Local School District were \$555,236. These represent payments of \$336,516 for kindergarten instructional services, \$50,720 for other support services and \$168,000 for rent provided by Pleasant Local School District to the Academy.

**PLEASANT COMMUNITY ACADEMY  
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 8 - 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 2016, 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 9 - 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, 2016.

**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 2016 resulted in a calculation of an overpayment to the Academy of approximately \$82. This amount has been reflected as an intergovernmental payable and will be a reduction to foundation funding in fiscal year 2017.

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

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

Pleasant Community 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 Community Academy (the Academy), a component of the Pleasant Local School District, as of and for the year ended June 30, 2016, 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 27, 2016.

**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.


### **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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 27, 2016.

### **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 27, 2016



**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of June 30, 2015, reported no material citations or recommendations.

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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  
MAY 9, 2017**