



**PLEASANT COMMUNITY ACADEMY
MARION COUNTY**

FINAL AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

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 Pleasant Community Academy, Marion County, Ohio (the Academy), a component unit of Pleasant Local School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 such 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 Pleasant Community Academy, Marion County, Ohio, a component unit of the Pleasant Local School District, as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Academy closed on June 30, 2019. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, 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 March 4, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

March 4, 2020

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)**

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, 2019. 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 2019 are as follows:

- Total net position increased \$105,271 in fiscal year 2019, which represents a 8.4 percent increase from fiscal year 2018.
- In 2019, total assets increased \$134,656, which represents a 10.2 percent increase from the fiscal year 2018.
- Total liabilities increased \$29,385 in fiscal year 2019, which represents a 42.3 percent increase from fiscal year 2018.
- Effective June 30, 2019 the Academy has decided to close as explained in Note 3. This is the final report of the Academy.

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, 2019. 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 that position. 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, 2019
(Unaudited)

Table 1 provides a summary of the Academy's net position as of June 30, 2019 compared to 2018:

Table 1
Net Position

	2019	2018
Assets:		
Current and other assets	\$ 1,458,045	\$ 1,220,863
Capital assets, net of depreciation	-	102,526
Total assets	1,458,045	1,323,389
Liabilities:		
Current and other liabilities	98,894	69,509
Net Position:		
Invested in capital assets	-	102,526
Restricted	-	3,830
Unrestricted	1,359,151	1,147,524
Total net position	\$ 1,359,151	\$ 1,253,880

Total assets were \$1,458,045, which is an increase of \$134,656 from the previous year. Total assets consisted of cash of \$1,371,435, intergovernmental receivables of \$10,385 and assets held for resale of \$76,225 for fiscal year 2019.

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2019 compared to 2018, as well as a listing of revenues and expenses.

Table 2
Changes in Net Position

	2019	2018
Operating revenues:		
State foundation revenues	\$ 841,879	\$ 915,069
State distributed casino revenues	6,033	5,406
Total operating revenues	847,912	920,475
Nonoperating revenues:		
State and federal grants	105,671	43,809
Interest earnings	25,294	11,338
Other nonoperating revenues	-	250
Total non-operating revenues	130,965	55,397
Total revenues	978,877	975,872
Operating expenses:		
Purchased services	735,286	739,897
Materials and supplies	73,165	28,410
Depreciation	26,301	25,613
Other	38,854	40,574
Total operating expenses	873,606	834,494
Change in net position	105,271	141,378
Net position, beginning of year	1,253,880	1,112,502
Net position, end of year	\$ 1,359,151	\$1,253,880

Total net position increased \$105,271 in the fiscal year 2019, which represents a 8.4 percent increase from fiscal year 2018. This increase is linked to an increased cash balance from increased state and federal grants 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, 2019
(Unaudited)

Capital Assets

The Academy had \$0 invested in capital assets (net of accumulated depreciation) for fiscal year 2019. The following table shows 2019 and 2018 balances:

Capital Assets, at Year End
(Net of Depreciation)

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ -	\$ 31,311
Vehicles	-	71,215
Total capital assets	<u>\$ -</u>	<u>\$ 102,526</u>

Debt

The Academy did not incur any debt during the fiscal year ended June 30, 2019.

Current Financial Issues

The Academy has decided to permanently close effective June 30, 2019.

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, 2019**

ASSETS

Current assets:

Equity in pooled cash and cash equivalents	\$ 1,371,435
Intergovernmental receivable	10,385
Assets held for resale	<u>76,225</u>
Total assets	<u>1,458,045</u>

LIABILITIES AND NET POSITION

Current liabilities:

Intergovernmental payable	12,432
Accounts payable	<u>86,462</u>
Total liabilities	<u>98,894</u>

Net position:

Unrestricted	<u>1,359,151</u>
Total net position	<u>\$ 1,359,151</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, 2019

<u>Operating revenues:</u>	
State foundation revenues	\$ 841,879
State distributed casino revenues	6,033
Total operating revenue	<u>847,912</u>
<u>Operating expenses:</u>	
Purchased services	735,286
Materials and supplies	73,165
Depreciation	26,301
Other	38,854
Total operating expenses	<u>873,606</u>
Operating loss	<u>(25,694)</u>
<u>Nonoperating revenues:</u>	
Interest	25,294
State and federal grants	105,671
Total nonoperating revenues	<u>130,965</u>
Change in net position	105,271
Net position at beginning of year	<u>1,253,880</u>
Net position at end of year	<u>\$ 1,359,151</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, 2019

Cash flows from operating activities:	
Cash received from foundation revenue	\$ 855,244
Cash from casino tax revenue	6,033
Cash payments to suppliers for goods and services	(791,498)
Cash payment for other operating expenses	(38,854)
Net cash provided by operating activities	30,925
Cash flows from noncapital financing activities:	
State and Federal grants	114,395
Net cash provided by noncapital financing activities	114,395
Cash flows from investing activities:	
Interest on investments	25,294
Net cash provided by investing activities	25,294
Net increase in cash	170,614
Cash at beginning of year	1,200,821
Cash at end of year	\$ 1,371,435
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Operating loss	\$ (25,694)
<u>Adjustments to reconcile operating loss to net cash provided by operating activities:</u>	
Depreciation	26,301
Change in assets and liabilities:	
(Increase) decrease in assets:	
Intergovernmental receivable	933
Accounts payable	16,953
Intergovernmental payable	12,432
Total adjustments	56,619
Net cash provided by operating activities	\$ 30,925

See accompanying notes to the basic financial statements.

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**PLEASANT COMMUNITY ACADEMY
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 seven at large members from the Community. 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, 2019**

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, 2019**

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 STAR Ohio, 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 2019, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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, 2019**

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 and vehicles, are depreciated over three and ten years, respectively.

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 invested in capital assets or 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, 2019**

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.

L. Assets Held for Resale

At June 30, 2019, furniture, fixtures and equipment and vehicles owned by the Academy have been reclassified from Capital Assets to Assets Held for Resale on the Statement of Net Position and are no longer being depreciated.

NOTE 3 – FINAL CLOSING OF THE ACADEMY AND SUBSEQUENT EVENTS

The Academy's Board passed a resolution on April 1, 2019 that announced the closing of the Academy effective June 30, 2019. The Academy's management has appropriately notified the Ohio Department of Education (ODE) and began the proper closing procedures.

The Academy's assets at the end of the fiscal year consisted of cash in a checking account and StarOhio. The cash balance of \$1,371,435 is to be paid out for contractual services incurred as of the end of this year as well as those incurred following the close. After all other contractual services are paid, the remaining amount will be paid to the ODE. The payments are anticipated to be as presented below:

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

	<u>Amount</u>
Bank balance at June 30, 2019	1,371,435
Transactions from July 1, 2019 through February 5, 2020:	
<u>Receipts</u>	
State distributed casino revenues	3,281
Interest	11,650
Federal and State subsidies	10,385
Other revenue	<u>43,641</u>
Total revenues	<u>68,957</u>
<u>Disbursements</u>	
Bank fees	545
Legal services	1,230
Auction services	2,974
Refund to Ohio Department of Education	12,432
Accounting services	2,700
Audit fees	5,740
Neola services	69
Sponsor for services	<u>110,159</u>
Total expenses	<u>135,849</u>
Bank balance at February 5, 2020	<u>1,304,543</u>
Management anticipates the following payments to be made following February 5, 2020:	
<u>Disbursements</u>	
Final audit and accounting costs	3,257
Final payment to Ohio Department of Education	1,300,686
Payment to sponsor for services	<u>600</u>
	<u>1,304,543</u>
Ending Bank Balance	<u><u>-</u></u>

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - DEPOSITS

The carrying value of the Academy's deposits totaled \$285,505, and the bank balances of the deposits totaled \$290,258; 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.

As of June 30, 2019, the Academy had funds on deposit with STAR Ohio, in the amount of \$1,085,930. The Academy's investments in STAR Ohio had an average maturity of 53.3 days. STAR Ohio carries a rating of AAAM by Standard and Poor's. The Academy has no policy regarding interest rate or 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

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance <u>7/1/2018</u>	Additions	Disposals	Balance <u>6/30/2019</u>
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 302,144	\$ -	\$ (302,144)	\$ -
Vehicles	89,956	-	(89,956)	-
Total capital assets, being depreciated	<u>392,100</u>	<u>-</u>	<u>(392,100)</u>	<u>-</u>
Less: Accumulated depreciation				
Furniture, fixtures and equipment	(270,833)	(17,305)	288,138	-
Vehicles	(18,741)	(8,996)	27,737	-
Total accumulated depreciation	<u>(289,574)</u>	<u>(26,301)</u>	<u>315,875</u>	<u>-</u>
Total capital assets being depreciated, net	<u>\$ 102,526</u>	<u>\$ (26,301)</u>	<u>\$ (76,225)</u>	<u>\$ -</u>

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

The Academy's Board passed a resolution on April 1, 2019 that announced the closing of the Academy effective June 30, 2019. Furniture, fixtures and equipment and vehicles of the Academy have been reclassified to "assets held for resale" as of June 30, 2019 and are no longer being depreciated.

NOTE 6 - RECEIVABLES

At June 30, 2019, 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	\$ 10,385

NOTE 7 - PURCHASED SERVICES

For the fiscal year ended June 30, 2019, purchased service expenses were payments for professional services rendered by various vendors as shown in Note 8.

NOTE 8 - 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 2019, payments made by the Academy to Pleasant Local School District were \$703,665. These represent payments of \$422,317 for kindergarten instructional services, \$113,348 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, 2019**

NOTE 9 – OPERATING LEASE

The Academy entered into an agreement to lease building space from Pleasant Local School District (the Sponsor). The lease commenced on August 20, 2018 and ends on June 30, 2021. Monthly rental payments are \$14,000 payable before the first day of each month. For fiscal year 2019, the Academy paid \$168,000 in rent. Due to the closure of the Academy, there will be no future lease payments after fiscal year 2019.

NOTE 10 - 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 2019, 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 three fiscal years, and there has been no significant reduction in insurance coverage from the prior year.

NOTE 11 - 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, 2019.

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 2019 resulted in a calculation of an overpayment to the Academy of approximately \$12,432. This amount has been reflected as an intergovernmental payable.

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S 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 Pleasant Community Academy, Marion County, (the Academy), a component unit of the Pleasant Local School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 4, 2020, wherein we noted the Academy closed on June 30, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 4, 2020

**PLEASANT COMMUNITY ACADEMY
MARION COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

**Financial Reporting
Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Academy does not have internal controls in place to help ensure revenues, expenses, assets, liabilities and disclosures are properly classified and presented on the financial statements and notes to the financial statements.

The following adjustments were material to the Academy's June 30, 2019 financial statements and were made to the Academy's financial statements:

- The Academy had incorrectly reported the status of the Academy's capital assets as of June 30, 2019. As of that date the assets had not be sold or disposed and should have been reported as assets held for resale rather than reporting an accounts receivable and loss on sale of capital assets. An adjustment of \$76,225 to document assets held for resale and to remove accounts receivable of \$43,641 and loss on disposal of capital assets of \$32,584 was made to the financial statements.
- The Academy did not properly account for \$78,900 in monies owed to Pleasant Local School District at June 30, 2019 as accounts payable. The financial statements have been adjusted to reflect this additional payable.

In addition to the adjustment listed above, we also identified an additional misstatement of \$6,071 that we have brought to the Academy's attention.

Lastly, note disclosures were added to properly disclose investments and an operating lease.

By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

We recommend the Academy implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Academy's report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

Officials' Response

We did not receive a response from Officials to this finding.

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OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 2, 2020**