



**Auditor of State
Betty Montgomery**

TRECA DIGITAL ACADEMY
MARION COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

TRECA Digital Academy
Marion County
2222 Marion Mt. Gilead
Marion, Ohio 43302

To the Board of Directors:

We have audited the accompanying basic financial statements of the TRECA Digital Academy, Marion County, Ohio (the Academy), a component unit of Tri-Rivers Educational Computer Association, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TRECA Digital Academy, Marion County, Ohio, as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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Betty Montgomery
Auditor of State

February 8, 2006

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**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of TRECA Digital Academy's (TDA) financial performance provides an overall review of TDA's financial activities for the fiscal year ended June 30, 2005. Readers should also review the basic financial statements and notes to enhance their understanding of TDA's financial performance.

Highlights

TRECA Digital Academy (TDA) was established and began its first year of operations in fiscal year 2002. TDA is an online internet school. TDA served 644 students in fiscal year 2002, 824 students in fiscal year 2003, and 1,279 students in fiscal year 2004. In fiscal year 2005, TDA served 1,098 students. TDA continues to contract with Tri-Rivers Educational Computer Association (TRECA), for many of the services it needs to educate the students.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and change in net assets reflect how TDA did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report TDA's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of TDA has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of TDA's net assets for fiscal year 2005 and fiscal year 2004:

Table 1
Net Assets

	<u>2005</u>	<u>2004</u>
<u>Assets:</u>		
Current and Other Assets	\$453,119	\$17,558
Capital Assets, Net	15,824	25,754
Total Assets	<u>468,943</u>	<u>43,312</u>
 <u>Liabilities:</u>		
Current Liabilities	<u>201,043</u>	<u>318,340</u>

(continued)

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 1
Net Assets
(continued)

	2005	2004
<u>Net Assets:</u>		
Invested in Capital Assets	\$15,824	\$25,754
Unrestricted (Deficit)	252,076	(300,782)
Total Net Assets (Deficit)	\$267,900	(\$275,028)

A review of the above table demonstrates some significant changes from the prior fiscal year. The increase in current and other assets is from two sources. The increase in cash and cash equivalents, in excess of \$30,000, is the result of additional foundation monies. There was also a substantial increase in intergovernmental receivables, over \$400,000 as TDA was eligible for additional federal grant monies. This increase in assets is also reflected in the increase in unrestricted net assets.

The decrease in capital assets as well as the corresponding decrease in invested in capital assets is simply due to current year depreciation.

As TDA had more available resources in fiscal year 2005, there was an opportunity to reduce its liabilities by making payments for the foundation overpayments received in fiscal year 2002 and 2004.

Table 2 reflects the change in net assets for fiscal year 2005 and fiscal year 2004.

Table 2
Change in Net Assets

	2005	2004
<u>Operating Revenues:</u>		
Foundation	\$6,874,588	\$5,704,444
Other Operating Revenues	925	17,801
<u>Non-Operating Revenues:</u>		
Operating Grants	674,654	498,267
Total Revenues	7,550,167	6,220,512
<u>Operating Expenses:</u>		
Purchased Services	6,996,875	5,228,141
Materials and Supplies	0	208,400
Depreciation	9,930	35,517
Other Operating Expenses	434	4,636
Total Expenses	7,007,239	5,476,694
Total Increase in Net Assets	\$542,928	\$743,818

The table also demonstrates that revenues have exceeded expenses for the past two fiscal years. This was not the case in TDA's first two years of operation.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Budgeting

TDA is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets

At the end of fiscal year 2005, TDA had \$15,824 invested in capital assets (net of accumulated depreciation). For further information regarding TDA's capital assets, refer to Note 4 to the basic financial statements.

Current Issues

TRECA Digital Academy continues to be a great educational alternative for students throughout the State of Ohio. Our education opportunities are continually expanding. We are also continuing to expand our partnerships with public school districts throughout the State. Increases in enrollment of students for fiscal year 2006 are expected to continue. The use of technology, such as the I-Pod, is projected to have a great impact on the education of students at TDA.

Contacting TDA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of TDA's finances and to reflect TDA'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 Scott Armstrong, Treasurer, TRECA Digital Academy, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

Assets:

Current Assets:

Cash and Cash Equivalents	\$45,621
Intergovernmental Receivable	407,498
Total Current Assets	<u>453,119</u>

Non-Current Assets:

Depreciable Capital Assets, Net	15,824
Total Assets	<u>468,943</u>

Liabilities:

Current Liabilities:

Deferred Revenue	<u>201,043</u>
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Net Assets:

Invested in Capital Assets	15,824
Unrestricted	<u>252,076</u>
Total Net Assets	<u><u>\$267,900</u></u>

See Accompanying Notes to Basic Financial Statements

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Operating Revenues:</u>	
Foundation	\$6,874,588
Other Operating Revenues	925
Total Operating Revenues	<u>6,875,513</u>
 <u>Operating Expenses:</u>	
Purchased Services	6,996,875
Depreciation	9,930
Other Operating Expenses	434
Total Operating Expenses	<u>7,007,239</u>
 Operating Loss	 (131,726)
 <u>Non-Operating Revenues:</u>	
Operating Grants	<u>674,654</u>
 Change in Net Assets	 542,928
 Net Assets (Deficit) at Beginning of Year	 <u>(275,028)</u>
 Net Assets at End of Year	 <u><u>\$267,900</u></u>

See Accompanying Notes to the Basic Financial Statements

TRECA DIGITAL ACADEMY
MARION COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$6,759,749
Cash Payments for Goods and Services	(6,996,875)
Cash Received from Other Revenues	925
Cash Payments for Other Expenses	(434)
Net Cash Used for Operating Activities	<u>(236,635)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	267,156
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Net Decrease in Cash and Cash Equivalents	30,521
Cash and Cash Equivalents at Beginning of Year	15,100
Cash and Cash Equivalents at End of Year	<u><u>\$45,621</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$131,726)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	9,930
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Changes in Assets and Liabilities:

Decrease in Intergovernmental Receivable	2,458
Decrease in Deferred Revenue	<u>(117,297)</u>

Net Cash Used for Operating Activities	<u><u>(\$236,635)</u></u>
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See Accompanying Notes to the Basic Financial Statements

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**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL

TRECA Digital Academy (TDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TDA 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 TDA's tax exempt status. TDA's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. TDA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. TDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

TDA was approved for operation under a contract with the Tri-Rivers Joint Vocational School (the Sponsor), with Tri-Rivers Educational Computer Association (TRECA) as the Governing Authority for a five year period commencing July 30, 2001. The Sponsor is responsible for evaluating the performance of TDA and has the authority to deny renewal of the contract at its expiration. The Governing Authority is responsible for the operations of TDA.

TDA operates under the direction of a seven-member Board of Directors made up of area school district superintendents. The Board of Directors is comprised of TRECA employees and TRECA has the ability to impose its will upon TDA; therefore, TDA is a component unit of TRECA. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. TRECA, under a contractual agreement, provides instructional staff and support faculty to TDA. TDA provides services to 1,098 students.

TRECA is an association of public school districts within the boundaries of Clark, Crawford, Cuyahoga, Delaware, Franklin, Hamilton, Knox, Lucas, Mahoning, Marion, Morrow, Muskingum, Summit, Trumbull, Union, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of six representatives from the participating school districts and the superintendent from Tri-Rivers Joint Vocational School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of TDA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. TDA also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. TDA does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. Following are the more significant of the TDA's accounting policies.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

TDA's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

TDA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

TDA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of TDA are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how TDA finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. TDA'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, are recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which TDA 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 TDA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to TDA on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by TDA's contract with its Sponsor.

E. Cash and Cash Equivalents

Cash held by TDA is reflected as "Cash and Cash Equivalents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2005, TDA had no investments.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. TDA maintains a capitalization threshold of five hundred dollars. TDA does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture is depreciated over ten years and computers are depreciated over three to ten years.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by TDA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. TDA first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. TDA did not have any restricted net assets at fiscal year end.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of TDA. Operating expenses are necessary costs incurred to provide the service that is the primary activity of TDA. All revenues and expenses not meeting this definition are reported as non-operating.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - RECEIVABLES

At June 30, 2005, TDA had intergovernmental receivables, in the amount of \$407,498. The receivables are expected to be collected within one year.

	Amount
Idea Part - B	\$ 137,006
Safe and Drug Free Schools	7,256
SESSI Grant	90,000
Student Reaading Intervention	16,586
Title I	126,421
Title V	4,072
Title II-A	20,533
Title II-D	5,624
Total Intergovernmental Receivables	<u>\$ 407,498</u>

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Depreciable Capital Assets				
Furniture and Equipment	\$123,687	\$0	\$0	\$123,687
Less Accumulated Depreciation	(97,933)	(9,930)	0	(107,863)
Capital Assets, Net	<u>\$25,754</u>	<u>(\$9,930)</u>	<u>\$0</u>	<u>\$15,824</u>

NOTE 5 - FISCAL AGENT

The Comprehensive Service Agreement between the TDA and TRECA, adopted September 1, 2001, establishes the services of the Treasurer to be included in those supplied by TRECA to TDA. Furthermore, the sponsorship agreement states the Treasurer of the Governing Authority shall serve as the Treasurer of TDA.

The Treasurer of the Governing Authority shall perform the following functions while serving as the Treasurer of TDA:

- A. Maintain the financial records of TDA 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 TDA;
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

NOTE 6 - CONTRACT WITH TRECA

On February 24, 2004, TDA entered into a contract with the Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

1. TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement TDA's educational plan and TDA's assessment and accountability plan.
2. All personnel providing services to TDA on behalf of 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 such personnel. All shall possess any certification or licensure which may be required by law.
3. The technical services provided by TRECA to TDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

To obtain TRECA's June 30, 2005 audited, financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 7 - STATE FOUNDATION

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which foundation funding is calculated.

For the fiscal years ended June 30, 2005, and 2002, TDA received overpayments of \$57,002 and \$492,138, respectively. These amounts have been recorded as deferred revenue on the statement of net assets. TDA will receive reduced foundation payments through fiscal year 2006 to offset the 2005 and 2002 overpayment. As of June 30, 2005, the entire fiscal year 2005 amount was deferred and \$144,041 of the fiscal year 2002 amount was still deferred.

NOTE 8 - RELATED PARTY TRANSACTIONS

The five-member board of TDA consists of employees of TRECA and TRECA has the ability to impose its will upon TDA. This makes TDA a component unit of TRECA. As part of TDA's contractual agreement dated February 24, 2004, with TRECA for fiscal year 2005, TDA is required to pay TRECA the following fees:

1. Ongoing Fees - On an ongoing basis, TDA shall pay TRECA 99 percent of the base formula funds and 100 percent of the additional funds (including, but not limited to, funds for special education and related services) received by TDA from the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. These percentages may be adjusted at any time by agreement of the parties. As of June 30, 2005, the percentage was 99 percent.
2. Other Payments - If and as agreed by the parties, TDA may additionally pay TRECA funds received by TDA from grants or other sources for services provided by TRECA that are consistent with the purpose of such funds.

Payments made by TDA to TRECA in fiscal year 2005 totaled \$6,996,875. This consists of the \$6,689,718 in base formula funds, \$267,158 in fees for which TDA obtained grant monies, and \$40,000 in other payments agreed by the parties.

NOTE 9 - CONTINGENCIES

A. Grants

TDA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 TDA at June 30, 2005.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 – CONTINGENCIES (Continued)

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging Ohio's Community (i.e. Charter) Schools program violates the State Constitution and State laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case for oral arguments was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the State public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect, if any, on TDA is not presently determinable.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. As discussed in Note 7, TDA received an overpayment of \$57,002 in fiscal year 2005. This amount has been recorded as deferred revenue in the accompanying financial statements.

D. Risk Management

TDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. TRECA contracted with Harcum-Hyre Insurance Agency, Inc., to provide property and general liability insurance for TDA.

NOTE 10 – SUBSEQUENT EVENTS

Effective July 1, 2005, TDA shall pay TRECA 100 percent of the base formula funds.



**Auditor of State
Betty Montgomery**

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

TRECA Digital Academy
Marion County
2222 Marion Mt. Gilead Road
Marion, Ohio 43302

To the Board of Directors:

We have audited the basic financial statements of TRECA Digital Academy, Marion County, Ohio (the Academy), a component unit of the Tri-Rivers Educational Computer Association, as of and for the year ended June 30, 2005, and have issued our report thereon dated February 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated February 8, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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TRECA Digital Academy
Marion County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 8, 2006

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2004-001	Commingling of Financial Activity	Yes	Fully corrected.
2004-002	Bank Reconciliations	Yes	Fully corrected.
2004-003	Board Monitoring	No	Partially corrected; this finding is repeated in the current audit management letter.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

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TRECA DIGITAL 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 14, 2006**