



Dave Yost • Auditor of State



TRECA DIGITAL ACADEMY  
MARION COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

TRECA Digital Academy  
Marion County  
100 Executive Drive  
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 the Tri-Rivers Education Computer Association, as of and for the year ended June 30, 2011, 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 TRECA Digital Academy, Marion County, Ohio, as of June 30, 2011, 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 May 2, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

May 2, 2012

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
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, 2011. 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 its first year of operation and has grown to a student enrollment of 2,093 students in fiscal year 2011. 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 2011. 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 year's revenues and expenses regardless of when cash is received or paid.

These statements report TDA's net assets and the 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 2011 and fiscal year 2010:

	2011	2010	Change
<b>Table 1 Net Assets</b>			
<u>Assets:</u>			
Current and Other Assets	\$1,631,766	\$1,033,533	\$598,233
Capital Assets, Net	370	1,738	(1,368)
<b>Total Assets</b>	<b>\$1,632,136</b>	<b>\$1,035,271</b>	<b>\$596,865</b>
<u>Liabilities:</u>			
Current Liabilities	\$30,089	\$0	\$30,089
<u>Net Assets:</u>			
Invested in Capital Assets	370	1,738	(1,368)
Unrestricted	1,601,677	1,033,533	568,144
<b>Total Net Assets</b>	<b>\$1,602,047</b>	<b>\$1,035,271</b>	<b>\$566,776</b>

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

A review of the above table reflects several significant changes from the prior fiscal year. Current and other assets, in this case primarily intergovernmental receivables, increased because monies for fiscal year 2011 were not received within the fiscal year. In addition, there were new grant allocations for the Education Jobs grant and the Race to the Top grant for fiscal year 2011.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2  
Change in Net Assets

	2011	2010	Change
<u>Operating Revenues:</u>			
Foundation	\$11,682,187	\$9,942,797	\$1,739,390
<u>Non-Operating Revenues:</u>			
Grants	2,750,740	2,017,248	733,492
Interest Revenue	448	385	63
Total Revenues	<u>14,433,375</u>	<u>11,960,430</u>	<u>2,472,945</u>
<u>Operating Expenses:</u>			
Purchased Services	13,865,231	11,328,556	2,536,675
Depreciation	1,368	1,368	0
Total Expenses	<u>13,866,599</u>	<u>11,329,924</u>	<u>2,536,675</u>
Total Increase in Net Assets	566,776	630,506	(63,730)
Net Assets at Beginning of Year	1,035,271	404,765	630,506
Net Assets at End of Year	<u>\$1,602,047</u>	<u>\$1,035,271</u>	<u>\$566,776</u>

In fiscal year 2011, State foundation resources were 81 percent of TDA's revenue. The large increase in foundation monies received for fiscal year 2011 can be attributed, partially, to the increase in student enrollment. Grant revenue increased substantially, in part, due to additional grant monies from the Education Jobs and Race to the Top grant programs.

Because there was an increase in Education Jobs and Race to the Top funding, along with increased foundation monies, there was an increase in purchased services. TDA's contract with TRECA provides for the payment of 100 percent of the funding received, including grants and other sources, be paid to TRECA.

**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 2011, TDA had \$370 invested in capital assets (net of accumulated depreciation). For further information regarding TDA's capital assets, refer to Note 5 to the basic financial statements.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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**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. The use of technology, such as the I-Pod and the Netbook, has had, and will continue to have, a great impact on the education of students at TDA. An example of this would be the development of a health and wellness program using the I-Pod.

TRECA Digital Academy is working to expand student enrollment by refining its educational delivery system or by customizing each student's educational plan.

**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, 100 Executive Drive, Marion, Ohio 43302.

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TRECA DIGITAL ACADEMY  
MARION COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2011

Assets:

Current Assets:

Cash and Cash Equivalents	\$56,730
Intergovernmental Receivable	<u>1,575,036</u>
Total Current Assets	<u>1,631,766</u>

Non-Current Assets:

Depreciable Capital Assets, Net	<u>370</u>
Total Assets	<u>1,632,136</u>

Liabilities:

Current Liabilities:

Due to Primary Government	<u>30,089</u>
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Net Assets:

Invested in Capital Assets	370
Unrestricted	<u>1,601,677</u>
Total Net Assets	<u><u>\$1,602,047</u></u>

See Accompanying Notes to Basic Financial Statements

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Operating Revenues:</u>	
Foundation	<u>\$11,682,187</u>
<u>Operating Expenses:</u>	
Purchased Services	13,865,231
Depreciation	<u>1,368</u>
Total Operating Expenses	<u>13,866,599</u>
Operating Loss	<u>(2,184,412)</u>
<u>Non-Operating Revenues</u>	
Grants	2,750,740
Interest Revenue	<u>448</u>
Total Non-Operating Revenues	<u>2,751,188</u>
Change in Net Assets	566,776
Net Assets at Beginning of Year	<u>1,035,271</u>
Net Assets at End of Year	<u><u>\$1,602,047</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, 2011**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$11,652,098
Cash Payments for Goods and Services	<u>(13,835,142)</u>
Net Cash Used for Operating Activities	(2,183,044)

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	2,183,044
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>448</u>
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Net Increase in Cash and Cash Equivalents	448
Cash and Cash Equivalents at Beginning of Year	<u>56,282</u>
Cash and Cash Equivalents at End of Year	<u><u>\$56,730</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$2,184,412)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	<u>1,368</u>
Net Cash Used for Operating Activities	<u><u>(\$2,183,044)</u></u>

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, 2011**

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**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), commencing on July 30, 2001. A successor contract was entered into on May 4, 2010, effective through fiscal year 2015. The Sponsor is responsible for evaluating the performance of TDA and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of TDA.

TDA operates under the direction of a five-member Board of Directors appointed by Tri-Rivers Educational Computer Association (TRECA). TRECA can 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 2,093 students.

TRECA is an association of public school districts within the boundaries of Athens, Carroll, Champaign, Crawford, Cuyahoga, Delaware, Erie, Fairfield, Franklin, Greene, Hamilton, Hancock, Jackson, Knox, Licking, Logan, Lorain, Marion, Montgomery, Morrow, Muskingum, Portage, Seneca, Tuscarawas, Union, Wood, 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 eight representatives from the participating school districts and the superintendent from Tri-Rivers Joint Vocational School.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**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.

**A. Basis of Presentation**

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

TDA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change 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 change in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how 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. The contract between TDA and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast, which is updated on an annual basis.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 2011, TDA had no investments.

**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 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. For TDA, these revenues are foundation payments from the State. 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 - Deposits**

At fiscal year end, the carrying amount of TDA's deposits was \$56,730 and the bank balance was \$56,730. The entire bank balance was covered by federal depository insurance.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 4 - Receivables**

At June 30, 2011, TDA had intergovernmental receivables, in the amount of \$1,575,036. The receivables are expected to be collected within one year.

	Amount
Education Jobs	\$685,766
Race to the Top	15,108
Idea Part - B	306,182
Title II-D Tech	5,419
Title I	482,005
Title II-A	50,467
Department of Education	30,089
Total Intergovernmental Receivables	\$1,575,036

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Depreciable Capital Assets				
Furniture and Equipment	\$44,296	\$0	(\$14,880)	\$29,416
Less Accumulated Depreciation	(42,558)	(1,368)	14,880	(29,046)
Capital Assets, Net	\$1,738	(\$1,368)	\$0	\$370

**Note 6 - Fiscal Agent**

The Comprehensive Service Agreement between TDA and TRECA, adopted September 1, 2001, establishes the services of the Treasurer to be included in those supplied by TRECA to TDA. A successor agreement was entered into on August 24, 2010, effective through fiscal year 2015. Furthermore, the sponsorship agreement states the Treasurer of TRECA shall serve as the Treasurer of TDA.

The Treasurer of TRECA 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; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 7 - Contract with TRECA**

On August 24, 2010, TDA entered into a contract with 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, 2011 audited financial statements, contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

**Note 8 - Related Party Transactions**

The five-member Board of Directors of TDA was appointed by TRECA, therefore 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 August 24, 2010, with TRECA for fiscal year 2011, TDA is required to pay TRECA the following fees:

1. Annual Fee - If and at such times as agreed to by the parties, TDA shall pay an annual fee to TRECA for curriculum and program development, teacher training, and marketing services associated with TDA.
2. Ongoing Fees - On an ongoing basis, TDA shall pay TRECA 100 percent of the funding received by TDA from the Ohio Department of Education pursuant to section 3314.08 of the Ohio Revised Code.
3. Other Payments - As permitted by law, TDA shall additionally pay TRECA funds received by TDA from grants or other sources for services provided by TRECA, provided TRECA's provision of such services is consistent with the terms of, and fulfill TDA's obligations pursuant to, such grants and other funding.

Payments made by TDA to TRECA in fiscal year 2011 were \$13,835,142. This consists of the \$11,652,098 in base formula funds and \$2,183,044 in fees for which TDA obtained grant monies.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**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, 2011.

**B. Litigation**

There are currently no matters in litigation with the TDA as defendant.

**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 reflected that \$30,089 is owed to TDA from the Ohio Department of Education. This amount has been recorded as an intergovernmental receivable 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. TDA does not purchase its own liability insurance. TRECA contracted with Ohio School Plan to provide property and general liability insurance for TDA.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education_Grants to States	84.027	\$ 275,557	\$ 274,885
ARRA - Special Education_Grants to States, Recovery Act	84.391	244,476	210,126
Total Special Education Cluster		<u>520,033</u>	<u>485,011</u>
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	442,132	332,450
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	186,009	174,552
Total Title I Cluster		<u>628,141</u>	<u>507,002</u>
Improving Teacher Quality State Grants	84.367	2,517	5,002
ARRA- State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	998,313	669,981
ARRA- State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act	84.395	25,917	28,773
Education Technology State Grants	84.318	3,124	-
<b>Total U.S. Department of Education</b>		<u><b>2,178,045</b></u>	<u><b>1,695,769</b></u>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<u><b>\$ 2,178,045</b></u>	<u><b>\$ 1,695,769</b></u>

*The accompanying notes are an integral part of this schedule.*

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the TRECA Digital Academy's (the Academy's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.



# Dave Yost • Auditor of State

## 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  
100 Executive Drive  
Marion, Ohio 43302

To the Board of Directors:

We have audited the 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, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 2, 2012.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

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**Dave Yost**  
Auditor of State

May 2, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

TRECA Digital Academy  
Marion County  
100 Executive Drive  
Marion, Ohio 43302

To the Board of Directors:

### Compliance

We have audited the compliance of TRECA Digital Academy, Marion County, Ohio (the Academy), a component unit of the Tri-Rivers Educational Computer Association, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

As described in finding 2011-001 in the accompanying schedule of findings, the Academy did not comply with requirements regarding cash management applicable to its State Fiscal Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the Academy to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, TRECA Digital Academy, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-001 to be a material weakness.

The Academy's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated May 2, 2011.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

May 2, 2012

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**OMB CIRCULAR A -133 § .505  
SCHEDULE OF FINDINGS  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified over cash management requirement (SFSF) and unqualified for all other compliance requirements
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.394 – ARRA-State Fiscal Stabilization Fund, Education State Grants, Recovery Act  CFDA #84.010/#84.389 – Title I Cluster  CFDA #84.027/#84.391 – Special Education Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**OMB CIRCULAR A -133 § .505  
SCHEDULE OF FINDINGS  
JUNE 30, 2011  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2011-001
<b>CFDA Title and Number</b>	ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act, #84.394
<b>Federal Award Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Material Weakness / Material Non-Compliance  
Cash Management – State Fiscal Stabilization Fund**

34 C.F.R. § 80.20(b)(7) states that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Interest should not be earned on these funds. If interest is earned on the funds, the interest earned must be remitted to the U.S. Department of Education via a check sent to the Ohio Department of Education (ODE). ODE will review the calculation and determine if the amount remitted is correct. An amount of \$100 per entity per year may be retained under 34 C.F.R. § 80.21(i) for administrative expenses.

State Fiscal Stabilization Fund (SFSF) program funds were advanced to Local Education Agencies (LEA's) through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a form that shows funding information from the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to LEA's on a bi-monthly or monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. ODE's Stimulus webpage, Education Stabilization General Frequently Asked Question No. Q13 requires LEA's to have an internal control system in place to ensure advance SFSF payments are spent timely (i.e. within 30 days).

During fiscal year 2011, SFSF receipts were held an average of 228 days before being expended by the Academy. As of June 30, 2011, the cash balance in the SFSF grant fund was \$730,858, which was made up of receipts dating back to November 2010.

We recommend that the Academy implement an internal control system to ensure advance SFSF payments are spent in a timely manner.

**Officials' Response and Corrective Action Plan**

Please consider the following as TRECA Digital Academy's corrective action plan for finding 2011-001. Please be advised that TRECA Digital Academy will have all SFSF funds expended by September 30, 2011. The Treasurer, Scott Armstrong, will serve as TRECA Digital Academy's contact person.

TRECA DIGITAL ACADEMY  
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Cash Management – State Fiscal Stabilization Fund	No	Not Corrected. Repeated at Finding 2011-001

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

TRECA Digital Academy  
Marion County  
100 Executive Drive  
Marion, Ohio 43302

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether TRECA Digital Academy, Marion County, Ohio (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated December 3, 2010, we noted the Board adopted an anti-harassment policy on December 1, 2009. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the December 1, 2009 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
  - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as amended by House Bill 19 of the 128<sup>th</sup> General Assembly;
  - (2) A procedure for documenting any prohibited incident that is reported.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 2, 2012



# Dave Yost • Auditor of State

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  
MAY 24, 2012