



Mary Taylor, CPA  
Auditor of State



TRECA DIGITAL ACADEMY  
MARION COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

TRECA Digital Academy  
Marion County  
2222 Marion Mt. Gilead Road  
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, 2006, 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 that 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, 2006, 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 March 9, 2007, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board 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.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 9, 2007

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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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, 2006. 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, 1,279 students in fiscal year 2004, and 1,098 students in fiscal year 2005. In fiscal year 2006, TDA served 1,088 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 2006. 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 2006 and fiscal year 2005:

Table 1  
Net Assets

	<u>2006</u>	<u>2005</u>
<u>Assets:</u>		
Current and Other Assets	\$343,797	\$453,119
Capital Assets, Net	11,033	15,824
Total Assets	<u>354,830</u>	<u>468,943</u>
<u>Liabilities:</u>		
Current Liabilities	<u>169,687</u>	<u>201,043</u>
<u>Net Assets:</u>		
Invested in Capital Assets	11,033	15,824
Unrestricted	174,110	252,076
Total Net Assets	<u>\$185,143</u>	<u>\$267,900</u>

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

A review of the above table demonstrates some significant changes from the prior fiscal year. Current and other assets, in this case intergovernmental receivables, decreased because there was less carryover in the grants programs for fiscal year 2006 (therefore, a lower receivable at fiscal year end).

Table 2 reflects the change in net assets for fiscal year 2006 and fiscal year 2005.

Table 2  
Change in Net Assets

	2006	2005
<u>Operating Revenues:</u>		
Foundation	\$6,881,868	\$6,874,588
Other Operating Revenues	0	925
<u>Non-Operating Revenues:</u>		
Operating Grants	540,209	674,654
Interest Revenue	1,680	0
Total Revenues	7,423,757	7,550,167
 <u>Operating Expenses:</u>		
Purchased Services	7,501,723	6,996,875
Depreciation	4,791	9,930
Other Operating Expenses	0	434
Total Expenses	7,506,514	7,007,239
Total Increase (Decrease) in Net Assets	(82,757)	542,928
Net Assets at Beginning of Year	267,900	(275,028)
Net Assets at End of Year	\$185,143	\$267,900

Fiscal year 2006 is similar to fiscal year 2005, in that 93 percent of the revenues TDA received was State foundation money (91 percent in fiscal year 2005). The operating grants decrease is related to the decrease in intergovernmental receivable as there was less carryover in the grant programs for fiscal year 2006. Purchased services increased due to a change in the policy stating that 100 percent of TDA's funding would 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 2006, TDA had \$11,033 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, 2006  
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, has had, and will continue 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.

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TRECA DIGITAL ACADEMY  
MARION COUNTY

STATEMENT OF NET ASSETS  
JUNE 30, 2006

Assets:

Current Assets:

Cash and Cash Equivalents	\$47,301
Intergovernmental Receivable	296,496
Total Current Assets	<u>343,797</u>

Non-Current Assets:

Depreciable Capital Assets, Net	11,033
Total Assets	<u>354,830</u>

Liabilities:

Current Liabilities:

Deferred Revenue	<u>169,687</u>
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Net Assets:

Invested in Capital Assets	11,033
Unrestricted	174,110
Total Net Assets	<u><u>\$185,143</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, 2006**

<u>Operating Revenues:</u>	
Foundation	<u>\$6,881,868</u>
<u>Operating Expenses:</u>	
Purchased Services	7,501,723
Depreciation	<u>4,791</u>
Total Operating Expenses	<u>7,506,514</u>
Operating Loss	<u>(624,646)</u>
<u>Non-Operating Revenues</u>	
Operating Grants	540,209
Interest Revenue	<u>1,680</u>
Total Non-Operating Revenues	<u>541,889</u>
Change in Net Assets	(82,757)
Net Assets at Beginning of Year	<u>267,900</u>
Net Assets at End of Year	<u><u>\$185,143</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, 2006**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$6,850,512
Cash Payments for Goods and Services	<u>(7,501,723)</u>
Net Cash Used for Operating Activities	(651,211)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	651,211
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>1,680</u>
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Net Increase in Cash and Cash Equivalents	1,680
Cash and Cash Equivalents at Beginning of Year	<u>45,621</u>
Cash and Cash Equivalents at End of Year	<u><u>\$47,301</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$624,646)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	4,791
Changes in Assets and Liabilities:	
Decrease in Deferred Revenue	<u>(31,356)</u>
Net Cash Used for Operating Activities	<u><u>(\$651,211)</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, 2006**

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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), 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 six-member Board of Directors made up of TRECA employees. 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 1,088 students.

TRECA is an association of public school districts within the boundaries of Clark, Cuyahoga, Crawford, 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, 2006  
(Continued)**

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**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 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.

**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 2006, TDA had no investments.



**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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. 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 \$47,301 and the bank balance was \$47,301. 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, 2006  
(Continued)**

**Note 4 - Receivables**

At June 30, 2006, TDA had intergovernmental receivables, in the amount of \$296,496. The receivables are expected to be collected within one year.

	Amount
Idea Part - B	\$52,777
High School Critical Transitions	8,047
Title I	176,161
Safe and Drug Free Schools	13,638
Title II-A	39,823
Title II-D Tech	6,050
Total Intergovernmental Receivables	\$296,496

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Depreciable Capital Assets				
Furniture and Equipment	\$123,687	\$0	\$0	\$123,687
Less Accumulated Depreciation	(107,863)	(4,791)	0	(112,654)
Capital Assets, Net	\$15,824	(\$4,791)	\$0	\$11,033

**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. 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; 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, 2006  
(Continued)**

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**Note 7 - Contract with TRECA**

On February 24, 2004, 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, 2006 audited financial statements, please contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

**Note 8 - 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, 2006, and 2002, TDA received overpayments of \$25,646 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 2007 to offset the 2006 and 2002 overpayments. As of June 30, 2006, the entire fiscal year 2006 amount was still deferred and \$144,041 of the fiscal year 2002 amount was still deferred.

**Note 9 - Related Party Transactions**

The six-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 2006, TDA is required to pay TRECA the following fees:

1. Ongoing Fees - On an ongoing basis, TDA shall pay TRECA 100 percent of the base formula funds and 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. For fiscal year 2006, the percentage was 100 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.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 9 - Related Party Transactions** (continued)

Payments made by TDA to TRECA in fiscal year 2006 totaled \$7,501,723. This consists of the \$6,850,512 in base formula funds and \$651,211 in fees for which TDA obtained grant monies.

**Note 10 - 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, 2006.

**B. Litigation**

A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of the right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, 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 8, TDA received an overpayment of \$25,646 in fiscal year 2006. 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. TDA does not purchase its own liability insurance. TRECA contracted with Hylant Administrative Services, LLC, to provide property and general liability insurance for TDA.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006**

<b><u>FEDERAL GRANTOR</u></b> Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disburse- ments
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education_Grants to States	143305-6BSF-2006	84.027	\$215,679	\$231,203
	143305-6BSF-2005		137,006	0
Total Special Education_Grants to States			<u>352,685</u>	<u>231,203</u>
Title I Grants to Local Educational Agencies	143305-C1S1-2006	84.010	175,876	245,524
	143305-C1S1-2005		0	25,715
Total Title I Grants to Local Educational Agencies			<u>175,876</u>	<u>271,239</u>
State Grants for Innovative Programs	143305-C2S1-2006	84.298	7,343	16,727
Improving Teacher Quality State Grants	143305-TRS1-2006	84.367	2,309	34,360
Safe and Drug-Free Schools and Communities_State Grants	143305-DRS1-2006	84.186	709	0
Education Technology State Grants	143305-TJS1-2006	84.318	3,680	3,500
Vocational Education_Basic Grants to States	20A0-2005	84.048	10,000	200
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<b><u>\$552,602</u></b>	<b><u>\$557,229</u></b>

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

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.



# Mary Taylor, CPA

## 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  
2222 Marion Mt. Gilead Road  
Marion, Ohio 43302

To the Board of Directors:

We have audited the basic financial statements of the 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, 2006, and have issued our report thereon dated March 9, 2007. 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 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.

#### 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*. In a separate letter to the Academy's management dated March 9, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 9, 2007





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

### Compliance

We have audited the compliance of the 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 apply to each of its major federal programs for the year ended June 30, 2006. 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 express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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.

In our opinion, TRECA Digital Academy, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. In a separate letter to the Academy's management dated March 9, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with 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 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Academy's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings as item 2006-001.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not believe the reportable condition described above is a material weakness.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 9, 2007

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**OMB CIRCULAR A -133 § .505  
SCHEDULE OF FINDINGS  
JUNE 30, 2006**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies  CFDA #84.027 – Special Education Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDING 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, 2006  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2006-001
<b>CFDA Title and Number</b>	CFDA # 84.010 – Title I Grants to Local Educational Agencies
<b>Federal Award Number / Year</b>	143305-C1S1-2006
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Title I Eligibility**

According to the 2006 Consolidated Application approved by the Ohio Department of Education (ODE), funding under the Academy's award is for the operation of a targeted assistance Title I program and payment of salaries and approved fringe benefits for teachers and administrators to provide services to eligible students in the areas of reading/language arts and mathematics through a delivery method of computer assisted instruction and extended learning.

20 U.S. Code Section 6315, provides that Title I funds are to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. Once funds are allocated to eligible school attendance areas, a school (i.e., building or operating unit) operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging academic achievement standards. Eligible children are identified on the basis of multiple, educationally-related, objective criteria established by the local educational agency (LEA) (i.e., the Academy) and supplemented by the school. Children who are economically disadvantaged, children with disabilities, migrant children, and limited English proficient children are eligible for Title I services on the same basis as other children who are selected for services. In addition, certain categories of children are considered at risk of failing to meet the State's student academic achievement standards and are thus eligible for Title I services because of their status. Such children include: children who are homeless; children who participated in a Head Start or Even Start program at any time in the two preceding years; children who received services under a program for youth who are neglected, delinquent, or at risk of dropping out under Title I, Part D (or its predecessor authority) at any time in the two preceding years; and, children who are in a local institution for neglected or delinquent children or attending a community day program. From the pool of eligible children, a targeted assistance school is to select those children who have the greatest need for special assistance to receive Title I services. In addition, targeted assistance programs are to provide strategies to increase parental involvement in accordance with 20 USC 6318, such as family literacy services.

The Academy does not have written guidelines established for the method used to determine Title I eligible students. The Academy identifies eligible students through student surveys completed by the teacher and state test scores taken by the students. During fiscal year 2006, two percent of the students identified by the Academy as being eligible for Title I services had a teacher survey documented as being completed and state test scores taken by the students, but the surveys were not maintained by the Academy. However, the state test scores were maintained by the Academy for these students, which provided documentation of eligibility in the Title I program. Additionally, thirteen percent of the students identified by the Academy as being eligible for Title I services had state test scores documented as being taken by the students and teacher surveys documented as being completed, but the test scores were not maintained by the Academy in the student files. However, the teacher surveys were maintained by the Academy for these students, which provided documentation of eligibility in the Title I program.

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**OMB CIRCULAR A -133 § .505  
SCHEDULE OF FINDINGS  
JUNE 30, 2006  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**Title I Eligibility (Continued)**

We recommend the Academy establish and adopt written guidelines for their methodology for determining Title I eligible students. We further recommend the Academy maintain proper supporting documentation of student surveys and state test scores for all students. This will help ensure students are properly identified as eligible to receive Title I services.

**Officials' Response**

Please be advised that we have forwarded the auditor's recommendation concerning student eligibility guidelines to the proper officials in our organization. We will be working to address this situation as you recommended.





Mary Taylor, CPA  
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 10, 2007