



Dave Yost • Auditor of State

TRECA DIGITAL ACADEMY
MARION COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Change in Net Position	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements	13
Federal Awards Receipts and Expenditures Schedule.....	21
Notes to the Federal Awards Receipts and Expenditures Schedule	22
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	25
Schedule of Findings.....	27
Schedule of Prior Audit Findings.....	29
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	31

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

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
Columbus, Ohio

April 8, 2014

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**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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, 2013. 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 1,998 students in fiscal year 2013. 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 position and the statement of revenues, expenses, and change in net position reflect how TDA did financially during fiscal year 2013. 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 position and the change in net position. This change in net position 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 position for fiscal year 2013 and fiscal year 2012:

	Table 1 Net Position		
	2013	2012	Change
<u>Assets:</u>			
Current and Other Assets	\$1,139,944	\$1,368,464	(\$228,520)
<u>Liabilities:</u>			
Current Liabilities	0	20,865	20,865
<u>Net Position:</u>			
Unrestricted	\$1,139,944	\$1,347,599	(\$207,655)

Note the significant decrease in current and other assets, in this case primarily cash and cash equivalents, due to cash carryover spending for fiscal year 2013.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2 Change in Net Position			
	2013	2012	Change
<u>Operating Revenues:</u>			
Foundation	\$12,443,071	\$13,457,851	(\$1,014,780)
<u>Non-Operating Revenues:</u>			
Grants	1,335,185	1,368,481	(33,296)
Interest Revenue	359	743	(384)
Total Revenues	13,778,615	14,827,075	(1,048,460)
 <u>Operating Expenses:</u>			
Salaries	0	512,732	512,732
Fringe Benefits	0	176,223	176,223
Purchased Services	13,986,270	14,392,198	405,928
Depreciation	0	370	370
Total Expenses	13,986,270	15,081,523	1,095,253
Decrease in Net Position	(207,655)	(254,448)	46,793
Net Position at Beginning of Year	1,347,599	1,602,047	(254,448)
Net Position at End of Year	\$1,139,944	\$1,347,599	(\$207,655)

In fiscal year 2013, State foundation resources were 90 percent of TDA's revenue. Foundation is based on student enrollment.

Because there was a decrease in foundation resources, there was a decrease in purchased services. Also, in fiscal year 2012, TDA paid employees through the Education Jobs grant, which led to salaries and fringe benefits expenses for fiscal year 2012. This grant has expired.

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 2013, all of TDA's capital assets were fully depreciated. For further information regarding TDA's capital assets, refer to Note 6 to the basic financial statements.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Current Issues

TDA has completed the twelfth year of operation. We continue to grow in our understanding of the issues of online education. Our student population remains very diverse, creating the challenge of providing a quality education for each individual. Our focus remains on working with students to progress through their assigned curriculum at an appropriate pace, which includes the necessary support structures to allow for academic success. To do this, we continue to refine our continuous progress model as well as the opportunity for students to customize their school calendars. This continues to be well received by our students and parents.

In fiscal year 2013, we continued to be an attractive alternative for students/families looking for educational opportunity. Over 3,000 students chose to enroll at TDA over the course of the school year. The flexibility of our year-round calendar, continuous progress model, and use of cutting edge technology remain important aspects of the program to parents and students.

As a dropout prevention school, we recognize the at-risk needs of our students. We continue to address these needs through the services of our SAFE program and support through our advisors. Together, these positions support students by providing assistance for non-academic issues that may prevent them from reaching their potential. These efforts have contributed greatly to our increased retention, attendance, and graduation rates during the school year.

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 POSITION
JUNE 30, 2013

Assets:

Current Assets:

Cash and Cash Equivalents	\$	79,387
Intergovernmental Receivable		<u>1,060,557</u>
Total Assets	\$	<u><u>1,139,944</u></u>

Net Position:

Unrestricted	\$	<u><u>1,139,944</u></u>
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See Accompanying Notes to Basic Financial Statements

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Operating Revenues:</u>	
Foundation	\$ 12,443,071
	<hr/>
<u>Operating Expenses:</u>	
Purchased Services	13,986,270
	<hr/>
Operating Loss	(1,543,199)
	<hr/>
<u>Non-Operating Revenues</u>	
Grants	1,335,185
Interest Revenue	359
Total Non-Operating Revenues	1,335,544
	<hr/>
Change in Net Position	(207,655)
	<hr/>
Net Position at Beginning of Year	1,347,599
Net Position at End of Year	\$ 1,139,944
	<hr/> <hr/>

See Accompanying Notes to the Basic Financial Statements

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$ 12,463,936
Cash Payments for Goods and Services	<u>(14,007,135)</u>
Net Cash Used for Operating Activities	(1,543,199)

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	1,368,035
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>359</u>
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Net Decrease in Cash and Cash Equivalents	(174,805)
Cash and Cash Equivalents at Beginning of Year	254,192
Cash and Cash Equivalents at End of Year	<u><u>\$ 79,387</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	<u><u>\$ (1,543,199)</u></u>
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See Accompanying Notes to the Basic Financial Statements

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**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 1,998 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.

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. 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, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

TDA's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and change in net position; 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 position, 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 position. The statement of revenues, expenses, and change in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how 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.

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. TDA did not report any deferred outflows of resources for fiscal year 2013.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. TDA did not report any deferred inflows of resources for fiscal year 2013.

Expenses are recognized at the time they are incurred.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2013, 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 Position

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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 purposes for which both restricted and unrestricted net position is available. TDA did not have any restricted net position 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.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 3 - Change in Accounting Principles

For fiscal year 2013, TDA has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", " Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to TDA's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the TDA's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to TDA's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. The implementation of this statement did not result in any change to TDA's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). The implementation of this statement did not result in any change to TDA's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to TDA's financial statements.

Note 4 - Deposits

At fiscal year end, the carrying amount of TDA's deposits was \$79,387 and the bank balance was \$79,387. 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, 2013
(Continued)**

Note 5 - Receivables

At June 30, 2013, TDA had intergovernmental receivables, in the amount of \$1,060,557. The receivables are expected to be collected within one year.

	Amount
Race to the Top	\$87,829
Idea Part - B	230,876
Title I	727,813
Title II-A	14,039
Total Intergovernmental Receivables	1,060,557

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Depreciable Capital Assets				
Furniture and Equipment	\$29,416	\$0	\$0	\$29,416
Less Accumulated Depreciation	(29,416)	0	0	(29,416)
Capital Assets, Net	\$0	\$0	\$0	\$0

Note 7 - 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 the TRECA shall serve as the Treasurer of TDA.

The Treasurer of the 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, 2013
(Continued)**

Note 8 - 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, 2013 audited financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org.

Note 9 - 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 2013, 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 2013 were \$14,007,135. This consists of the \$12,448,934 in base formula funds and \$1,558,201 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, 2013
(Continued)**

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, 2013.

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 could result in State funding being adjusted. As of the date of this report, the results of this review are not available for fiscal year 2013. While the potential exists for a liability, management feels it is immaterial.

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.

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**TRECA DIGITAL ACADEMY
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Special Education_Grants to States	84.027	\$ 612,802	\$ 654,612
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	642,941	642,058
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>8,740</u>	<u>8,740</u>
Total Title I Cluster		<u>651,681</u>	<u>650,798</u>
Improving Teacher Quality State Grants	84.367	32,611	20,143
Education Technology State Grants	84.318	2,639	3,395
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act	84.395A	<u>31,629</u>	<u>38,635</u>
Total U.S. Department of Education		<u>1,331,362</u>	<u>1,367,583</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,331,362</u>	<u>\$ 1,367,583</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 FISCAL YEAR ENDED JUNE 30, 2013**

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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated April 8, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 8, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the TRECA Digital Academy's, Marion County, Ohio, (the Academy), a component unit of the Tri-Rivers Educational Computer Association, compliance with the applicable 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, 2013. The *Summary of Auditor's Results* section of the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination on the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, TRECA Digital Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 8, 2014

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Title I Cluster:</u> CFDA #84.010/84.389 Special Education Grants to States – CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

TRECA DIGITAL ACADEMY
MARION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)

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

FINDING NUMBER 2013-001

**Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

An audit adjustment of \$99,495 was made to decrease Cash and Cash Equivalents and increase expenses. This audit adjustment was quantitatively and qualitatively material to the overall financial statements of the Academy and was posted to the June 30, 2013 financial statements.

We also noted the following items were immaterial to the Academy's financial statements and were not posted to the June 30, 2013 financial statements or the Academy's accounting records:

- An adjustment for \$35,327 to increase Foundation Receipts and increase Fringe Benefits and Purchased Services, to record Foundation Receipts at the gross amount.
- The Academy remits certain monies directly to TRECA for services, immediately upon receipt. When monies are remitted, typically services have already been performed; however when services have not yet been performed, such as was the case at June 30, 2013, the financial statements should reflect Cash with Fiscal Agent. The Academy's June 30, 2013 financial statements did not reflect Cash with Fiscal Agent of \$49,697 and the related effect on Purchased Services expenditures.

The Treasurer and Board of Directors should review the adjustment and other items identified above to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, policies and procedures should be adopted that include a periodic review of activity posted to the accounting records, as well as, a final review of the financial statements and note disclosures to identify and correct errors and omissions.

Officials Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material Weakness / Material Non-Compliance – Cash Management – State Fiscal Stabilization Fund	Finding No Longer Valid	The Academy did not receive this funding for 2013

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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 updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure 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 May 2, 2012, 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. The Board amended the policy on May 22, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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".

Dave Yost
Auditor of State
Columbus, Ohio

April 8, 2014

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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 22, 2014**