



Dave Yost • Auditor of State

TRECA DIGITAL ACADEMY
MARION COUNTY

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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, 2014, 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 TRECA Digital Academy, Marion County, Ohio, a component unit of Tri-Rivers Educational Association, as of June 30, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with the 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 Schedule of Federal Award Receipts and Expenditures 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 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 statement 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 February 3, 2015, 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 initial "D".

Dave Yost
Auditor of State

February 3, 2015

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**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 1,805 students in fiscal year 2014. 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 2014. 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 2014 and fiscal year 2013:

	Table 1 Net Position		
	2014	2013	Change
<u>Assets:</u>			
Current and Other Assets	\$903,964	\$1,139,944	(\$235,980)
Capital Assets, Net	166,150	0	166,150
Total Assets	<u>1,070,114</u>	<u>1,139,944</u>	<u>(69,830)</u>
<u>Liabilities:</u>			
Current Liabilities	26,411	0	(26,411)
<u>Net Position:</u>			
Net Investment in Capital Assets	166,150	0	166,150
Unrestricted	877,553	1,139,944	(262,391)
Total Net Position	<u>\$1,043,703</u>	<u>\$1,139,944</u>	<u>(\$96,241)</u>

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

Note the significant decrease in current and other assets, in this case primarily the intergovernmental receivable. While total Title I funding in fiscal year 2014 was consistent with the prior year, funds were drawn prior to fiscal year end. The increase in capital assets is due to purchasing two mobile classroom units with Title I monies.

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Change in Net Position

	2014	2013	Change
<u>Operating Revenues:</u>			
Foundation	\$12,701,981	\$12,443,071	\$258,910
Other	792	0	792
Total Operating Revenues	<u>12,702,773</u>	<u>12,443,071</u>	<u>259,702</u>
<u>Non-Operating Revenues:</u>			
Grants	1,512,544	1,335,185	177,359
Interest Revenue	685	359	326
Total Non-Operating Revenues	<u>1,513,229</u>	<u>1,335,544</u>	<u>177,685</u>
Total Revenues	<u>14,216,002</u>	<u>13,778,615</u>	<u>437,387</u>
<u>Operating Expenses:</u>			
Purchased Services	14,307,983	13,986,270	(321,713)
Depreciation	4,260	0	(4,260)
Total Operating Expenses	<u>14,312,243</u>	<u>13,986,270</u>	<u>(325,973)</u>
Decrease in Net Position	(96,241)	(207,655)	111,414
Net Position at Beginning of Year	<u>1,139,944</u>	<u>1,347,599</u>	<u>(207,655)</u>
Net Position at End of Year	<u>\$1,043,703</u>	<u>\$1,139,944</u>	<u>(\$96,241)</u>

In fiscal year 2014, State foundation resources were 89 percent of TDA's revenue. Foundation is based on student enrollment. The increase in Foundation resources as well as Title I funding (grants) resulted in an increase in purchased services spending.

Budgeting

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

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

Capital Assets

At the end of fiscal year 2014, TDA had \$166,150 invested in capital assets (net of accumulated depreciation). Additions for the year included the purchase of two mobile classroom units. There were no disposals. For further information regarding TDA's capital assets, refer to Note 5 to the basic financial statements.

Current Issues

TDA has completed the thirteenth 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 2014, we continued to be an attractive alternative for students/families looking for educational opportunity. Over 2,000 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, 2014**

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 46,591
Intergovernmental Receivable	857,373
Total Current Assets	<u>903,964</u>

Non-Current Assets:

Depreciable Capital Assets, Net	<u>166,150</u>
Total Assets	<u><u>1,070,114</u></u>

Liabilities:

Current Liabilities:

Due to Other Governments	<u>26,411</u>
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Net Position:

Net Investment in Capital Assets	166,150
Unrestricted	877,553
Total Net Position	<u><u>\$ 1,043,703</u></u>

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, 2014**

<u>Operating Revenues:</u>	
Foundation	\$ 12,701,981
Other	792
Total Operating Revenues	<u>12,702,773</u>
 <u>Operating Expenses:</u>	
Purchased Services	14,307,983
Depreciation	4,260
Total Operating Expenses	<u>14,312,243</u>
 Operating Loss	 <u>(1,609,470)</u>
 <u>Non-Operating Revenues</u>	
Grants	1,512,544
Interest Revenue	685
Total Non-Operating Revenues	<u>1,513,229</u>
 Change in Net Position	 (96,241)
 Net Position at Beginning of Year	 <u>1,139,944</u>
Net Position at End of Year	<u>\$ 1,043,703</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, 2014**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$ 12,728,392
Cash Payments for Goods and Services	(14,307,983)
Cash Received from Other Revenues	792
Net Cash Used for Operating Activities	(1,578,799)

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	1,715,728
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Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(170,410)
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Cash Flows from Investing Activities:

Cash Received from Interest	685
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Net Decrease in Cash and Cash Equivalents	(32,796)
Cash and Cash Equivalents at Beginning of Year	79,387
Cash and Cash Equivalents at End of Year	\$ 46,591

Reconciliation of Operating Loss
to Net Cash Used for Operating Activities:

Operating Loss	\$ (1,609,470)
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Adjustments to Reconcile Operating Loss
to Net Cash Used for Operating Activities:

Depreciation	4,260
Increase in Due to Other Governments	26,411
Net Cash Used for Operating Activities	\$ (1,578,799)

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, 2014**

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 1,805 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, 2014
(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 2014.

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 2014.

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, 2014
(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 2014, 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 financial 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, 2014
(Continued)**

Note 3 - Deposits

At fiscal year end, the carrying amount of TDA's deposits was \$46,591 and the bank balance was \$46,591. The entire bank balance was covered by federal depository insurance.

Note 4 - Receivables

At June 30, 2014, TDA had intergovernmental receivables, in the amount of \$857,373. The receivables are expected to be collected within one year.

	Amount
Straight 'A' Grant	\$72,378
Race to the Top	70,656
Idea Part - B	323,859
Title I	383,601
Title II-A	6,879
Total Intergovernmental Receivables	\$857,373

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Depreciable Capital Assets				
Furniture and Equipment	\$29,416	\$0	\$0	\$29,416
Vehicles	0	170,410	0	170,410
Total Depreciable Capital Assets	29,416	170,410	0	199,826
Less Accumulated Depreciation for				
Furniture and Equipment	(29,416)	0	0	(29,416)
Vehicles	0	(4,260)	0	(4,260)
Total Accumulated Depreciation	(29,416)	(4,260)	0	(33,676)
Capital Assets, Net	\$0	\$166,150	\$0	\$166,150

Note 6 - Fiscal Agent

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

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 6 - Fiscal Agent (continued)

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

- A. Maintain the financial records of TDA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- B. Comply with the policies and procedures regarding internal financial control of TDA; and
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

Note 7 - Contract with TRECA

On August 24, 2010, TDA entered into a contract with TRECA for management consulting services. Under the contract, the following terms were agreed upon:

1. TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement TDA's educational plan and TDA's assessment and accountability plan.
2. All personnel providing services to TDA on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions, and all other legal withholding and/or payroll taxes with respect to such personnel. All shall possess any certification or licensure which may be required by law.
3. The technical services provided by TRECA to TDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.

To obtain TRECA's June 30, 2014, audited financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org.

Note 8 - Related Party Transactions

The five-member board of directors of TDA was appointed by TRECA, therefore TRECA has the ability to impose its will upon TDA. This makes TDA a component unit of TRECA. As part of TDA's contractual agreement dated August 24, 2010, with TRECA for fiscal year 2014, 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.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 8 - Related Party Transactions (continued)

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 2014 were \$14,478,393. This consists of the \$12,728,392 in base formula funds and \$1,750,001 in fees for which TDA obtained grant monies.

Note 9 - Contingencies

A. Grants

TDA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TDA at June 30, 2014.

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 a result of this review, the adjustment for fiscal year 2014 for TDA is a liability for \$26,411. This amount has been recorded as due to other governments on the statement of net position. This amount will be deducted from foundation payments in fiscal year 2015.

D. Risk Management

TDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. TDA does not purchase its own liability insurance. TRECA contracted with Ohio School Plan to provide property and general liability insurance for TDA.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
Special Education_Grants to States	2014	84.027	\$ 435,354	\$ 485,629
	2013	84.027	(117,103)	174,459
Total Special Education_Grants to States			<u>318,251</u>	<u>660,088</u>
Title I Grants to Local Educational Agencies	2014	84.010	831,048	887,415
	2013	84.010	41,616	105,667
Total Title I Grants to Local Educational Agencies			<u>872,664</u>	<u>993,082</u>
Improving Teacher Quality State Grants	2014	84.367	25,359	23,975
	2013	84.367	(4,161)	339
Total Improving Teacher Quality State Grants			<u>21,198</u>	<u>24,314</u>
ARRA - Race to the Top Incentive Grants	2014	84.395A	56,471	62,900
	2013	84.395A	3,816	3,461
Total ARRA - Race to the Top Incentive Grants			<u>60,287</u>	<u>66,361</u>
Total U.S. Department of Education			<u>1,272,400</u>	<u>1,743,845</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			<u>\$ 1,272,400</u>	<u>\$ 1,743,845</u>

The accompanying notes are an integral part of this schedule.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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.

NOTE B - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Special Education Grants to States	84.027	117,103
Improving Teacher Quality State Grants	84.367	4,161



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

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, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
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www.ohioauditor.gov

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 style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the 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 the TRECA Digital Academy's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program 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 the 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 program. However, our audit does not provide a legal determination on the Academy's compliance.

Opinion on the Major Federal Program

In our opinion, TRECA Digital Academy complied, in all material respects with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

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 the major federal program, to determine our auditing procedures appropriate for opining on the 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 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

February 3, 2015

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

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)?	No
(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):	Title I Grants to Local Educational Agencies – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

TRECA DIGITAL ACADEMY
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Material Weakness – Financial Reporting	Yes	



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TRECA DIGITAL ACADEMY

MARION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**