



**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**TRECA DIGITAL ACADEMY  
MARION COUNTY**

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MARION COUNTY

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## INDEPENDENT AUDITOR'S REPORT

TRECA Digital Academy  
Marion County  
107 N. Main Street, Suite 100  
Marion, OH 43302

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of TRECA Digital Academy, Marion County, Ohio (TDA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TDA'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 TDA'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 TDA's internal control. Accordingly, we express no such 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 the overall financial statement presentation.

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

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Efficient • Effective • Transparent

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of TRECA Digital Academy, Marion County, Ohio, as of June 30, 2019, and the respective changes in financial position and where applicable, 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* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 TDA's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, on our consideration of TDA'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 TDA's internal control over financial reporting and compliance.

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

Keith Faber  
Auditor of State

Columbus, Ohio

February 24, 2020

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TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

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The discussion and analysis of TRECA Digital Academy's (TDA) financial performance provides an overall review of TDA's financial activities for the fiscal year ended June 30, 2019. Readers should also review the basic financial statements and notes to enhance their understanding of TDA's financial performance.

**Highlights**

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 1,824 students in fiscal year 2019.

**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 2019. 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 2019 and fiscal year 2018:

Table 1 Net Position			
	2019	2018	Change
<u>Assets:</u>			
Current and Other Assets	\$11,264,540	\$11,323,640	(59,100)
Net OPEB Asset	546,131	0	546,131
Capital Assets, Net	290,520	438,028	(147,508)
Total Assets	12,101,191	11,761,668	339,523
<u>Deferred Outflows of Resources:</u>			
Pension	10,475,497	13,530,012	(3,054,515)
OPEB	2,162,390	2,713,751	(551,361)
Total Deferred Outflows of Resources	12,637,887	16,243,763	(3,605,876)

(continued)

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

Table 1 Net Position (continued)			
	2019	2018	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$3,129,275	\$4,012,665	\$883,390
Long Term Liabilities			
Pension	10,961,275	11,238,522	277,247
OPEB	1,568,192	2,718,702	1,150,510
Other Amounts	3,230,030	3,940,892	710,862
Total Liabilities	18,888,772	21,910,781	3,022,009
<u>Deferred Inflows of Resources:</u>			
Pension	598,603	342,268	(256,335)
OPEB	981,600	298,832	(682,768)
Total Deferred Inflows of Resources	1,580,203	641,100	(939,103)
<u>Net Position:</u>			
Net Investment in Capital Assets	290,520	438,028	(147,508)
Unrestricted	3,979,583	5,015,522	(1,035,939)
Total Net Position	\$4,270,103	\$5,453,550	(\$1,183,447)

The net pension/OPEB liability reported by TDA at June 30, 2019, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of TDA's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal TDA's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
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GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, TDA is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of TDA. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, TDA's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and the net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and increase in deferred inflows. The decrease in the net pension/OPEB liability represents the TDA's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

Aside from the changes related to pension/OPEB, there were only a couple changes of note from the prior fiscal year. The change in current and other assets was not significant in total; however, intergovernmental receivables decreased as TDA began receiving payments from META on their promissory note. This decrease was negated by an increase in prepaid items. In fiscal year 2019, TDA paid for several subscriptions for the use of software/data access programs, in addition to prepaying rent for a portion of fiscal year 2020. The decrease in net capital assets and the investment in capital assets is due to annual depreciation in excess of current year additions. The decrease in current and other liabilities is due to a decrease in the short-term portion of the FTE liability due to the Ohio Department of Education. This is also reflected in the decrease in other long-term liabilities due to the retirement of a portion of this debt.

Table 2 reflects the change in net position for fiscal year 2019 and fiscal year 2018.

Table 2  
Change in Net Position

	2019	2018	Change
<u>Operating Revenues:</u>			
Charges for Services	\$194,140	\$14,719	\$179,421
Foundation	12,979,227	14,242,565	(1,263,338)
Tuition and Fees	776,499	1,202,258	(425,759)
Intergovernmental	180,792	124,458	56,334
Other Operating Revenues	50,496	93,864	(43,368)
Total Operating Revenues	<u>14,181,154</u>	<u>15,677,864</u>	<u>(1,496,710)</u>
<u>Non-Operating Revenues:</u>			
Grants	2,055,996	1,267,526	788,470
Interest Revenue	137,798	33,760	104,038
Total Non-Operating Revenues	<u>2,193,794</u>	<u>1,301,286</u>	<u>892,508</u>
Total Revenues	<u>16,374,948</u>	<u>16,979,150</u>	<u>(604,202)</u>
<u>Operating Expenses:</u>			
Salaries	6,949,051	6,062,479	(886,572)
Fringe Benefits	5,273,224	1,228,654	(4,044,570)
Purchased Services	3,335,406	2,736,285	(599,121)
Materials and Supplies	1,610,374	1,834,796	224,422
Depreciation	249,886	237,178	(12,708)
Other Operating Expenses	140,454	61,143	(79,311)
Total Operating Expenses	<u>17,558,395</u>	<u>12,160,535</u>	<u>(5,397,860)</u>
Increase (Decrease) in Net Position	(1,183,447)	4,818,615	(6,002,062)
Net Position at Beginning of Year	<u>5,453,550</u>	<u>634,935</u>	<u>4,818,615</u>
Net Position at End of Year	<u>\$4,270,103</u>	<u>\$5,453,550</u>	<u>(\$1,183,447)</u>

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

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The most significant changes in operating revenues from the prior fiscal year relate to Foundation revenue and tuition and fees. Foundation revenue decreased due to a decrease in student population (2,195 students in fiscal year 2018 and 1,824 students in fiscal year 2019; 371 decrease in student population). The decrease in tuition and fees is due, in part, to the reduction in students as well as a reduction in fees from other schools (for example, Lorain Digital Academy closed and Findlay Digital Academy had to make significant cuts). The increase in grant revenue was primarily due to an increase in Title I funding.

For expenses, the increase in salaries was due to a \$1,000 salary increase for all employees as well as some other salary adjustments based on a salary analysis. Some of the increase in fringe benefits was related to the salary increases; however, this increase was primarily due to an increase in the overall pension/OPEB expense in fiscal year 2019 (increased \$3.9 million). The increase in purchased services was largely due to an increase in wireless charges for student connectivity.

### **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 2019, TDA had \$290,520 invested in capital assets (net of accumulated depreciation). Additions included office furniture, staff computers, and a vehicle. There were no disposals. For further information regarding TDA's capital assets, refer to Note 6 to the basic financial statements.

### **Current Issues**

TDA has completed the eighteenth year of operation. In fiscal year 2019, we continued to be an appealing alternative for students and families looking for educational opportunities. The flexibility of our continuous progress model and use of cutting edge technology remain important aspects of the program to parents and students. With each year, we learn more about the issues surrounding online education, as well as the challenges that our students face. 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 our student advisors. Together these positions support students by providing assistance for non-academic issues that may prevent them from reaching their potential. Our focus remains on working with students to help them progress through their assigned curriculum at an appropriate pace. It is our mission that all students will have meaningful learning experiences despite the obstacles they face. We will prepare them for tomorrow by removing barriers, building relationships, and making learning relevant. These efforts have contributed greatly to our increased retention, attendance, and graduation rates during the school year.

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

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**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 Jessica Wake, Treasurer, TRECA Digital Academy, 107 North Main Street, Suite 100, Marion, Ohio 43302.

TRECA Digital Academy  
Statement of Net Position  
June 30, 2019

Assets:

Current Assets:

Cash and Cash Equivalents	\$5,116,926
Accounts Receivable	2,957
Intergovernmental Receivable	5,955,712
Prepaid Items	188,945
Total Current Assets	<u>11,264,540</u>

Non-Current Assets:

Net OPEB Asset	546,131
Depreciable Capital Assets, Net	290,520
Total Non-Current Assets	<u>836,651</u>
Total Assets	<u>12,101,191</u>

Deferred Outflows of Resources:

Pension	10,475,497
OPEB	2,162,390
Total Deferred Outflows of Resources	<u>12,637,887</u>

Current Liabilities:

Accounts Payable	119,794
Accrued Wages and Benefits Payable	348,996
Intergovernmental Payable	2,466,801
Compensated Absences Payable	193,684
Total Current Liabilities	<u>3,129,275</u>

Non-Current Liabilities:

Intergovernmental Payable	3,099,694
Compensated Absences Payable	130,336
Net Pension Liability	10,961,275
Net OPEB Liability	1,568,192
Total Non-Current Liabilities	<u>15,759,497</u>
Total Liabilities	<u>18,888,772</u>

Deferred Inflows of Resources:

Pension	598,603
OPEB	981,600
Total Deferred Inflows of Resources	<u>1,580,203</u>

Net Position:

Net Investment in Capital Assets	290,520
Unrestricted	3,979,583
Total Net Position	<u>\$4,270,103</u>

See Accompanying Notes to Basic Financial Statements

TRECA Digital Academy  
Statement of Revenues, Expenses, and Change in Net Position  
For the Fiscal Year Ended June 30, 2019

<u>Operating Revenues:</u>	
Charges for Services	\$194,140
Foundation	12,979,227
Tuition and Fees	776,499
Intergovernmental	180,792
Other Operating Revenues	50,496
Total Operating Revenues	<u>14,181,154</u>
<u>Operating Expenses:</u>	
Salaries	6,949,051
Fringe Benefits	5,273,224
Purchased Services	3,335,406
Materials and Supplies	1,610,374
Depreciation	249,886
Other Operating Expenses	140,454
Total Operating Expenses	<u>17,558,395</u>
Operating Loss	<u>(3,377,241)</u>
<u>Non-Operating Revenues:</u>	
Grants	2,055,996
Interest Revenue	137,798
Total Non-Operating Revenues	<u>2,193,794</u>
Change in Net Position	(1,183,447)
Net Position at Beginning of Year	<u>5,453,550</u>
Net Position at End of Year	<u><u>\$4,270,103</u></u>

See Accompanying Notes to the Basic Financial Statements



TRECA Digital Academy  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2019

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Charges for Services	\$283,328
Cash Received from Foundation	11,358,880
Cash Received from Tuition and Fees	788,249
Cash Received from Intergovernmental Revenues	179,601
Cash Received from Other Operating Revenues	396,502
Cash Payments for Salaries	(6,881,218)
Cash Payments for Fringe Benefits	(2,736,370)
Cash Payments for Goods and Services	(5,159,678)
Cash Payments for Other Operating Expenses	(123,002)
Net Cash Used for Operating Activities	<u>(1,893,708)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	<u>1,804,852</u>
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Cash Flows from Capital Financing Activities:

Acquisition of Capital Assets	<u>(102,378)</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>137,798</u>
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Net Decrease in Cash and Cash Equivalents	(53,436)
Cash and Cash Equivalents at Beginning of Year	5,170,362
Cash and Cash Equivalents at End of Year	<u><u>\$5,116,926</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$3,377,241)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	249,886
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	16,296
Decrease in Intergovernmental Receivable	429,457
Increase in Prepaid Items	(188,945)
Decrease in Accounts Payable	(8,702)
Decrease in Accrued Wages and Benefits Payable	(8,390)
Decrease in Intergovernmental Payable	(1,612,971)
Increase in Compensated Absences Payable	35,811
Decrease in Net Pension Liability	(286,690)
Decrease in Deferred Outflows - Pension	4,341,703
Decrease in Deferred Inflows - Pension	(1,021,410)
Decrease in Net OPEB Asset	117,809
Decrease in Net OPEB Liability	(1,045,869)
Decrease in Deferred Outflows - OPEB	679,217
Decrease in Deferred Inflows - OPEB	(213,669)
Net Cash Used for Operating Activities	<u><u>(\$1,893,708)</u></u>

See Accompanying Notes to the Basic Financial Statements

TRECA Digital Academy  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019

	<u>Agency</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>\$269</u>
<u>Current Liabilities:</u>	
Undistributed Assets	<u>\$269</u>

See Accompanying Notes to Basic Financial Statements

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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**Note 1 - Description of the School**

TRECA Digital Academy (TDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TDA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TDA's tax exempt status. TDA's objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. TDA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. TDA may acquire facilities as needed and contract for any services necessary for the operation of the school.

TDA was approved for operation under a contract with the Tri-Rivers Joint Vocational School (the Sponsor), commencing on July 30, 2001. A successor contract was entered into on April 18, 2018, effective through fiscal year 2023. 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 majority vote of active directors with approval from the Sponsor. The Board of Directors is responsible for carrying out provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards, and qualification of teachers. It is staffed by fifty-seven classified employees, ninety-seven certified teaching personnel, and seven administrative employees who provide services to one thousand eight hundred twenty-four students and other community members.

TDA participates in one insurance pool, the Schools of Ohio Risk Sharing Authority, which is presented in Note 12 to the basic financial statements.

**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.

**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.

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

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. Deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 8 and 9 to the basic financial statements.

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 until that time. Deferred inflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 8 and 9 to the basic financial statements.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by TDA's contract with its Sponsor. The contract between TDA and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast, which is updated on an annual basis.

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

**E. Cash and Cash Equivalents**

Cash held by TDA is reflected as “Cash and Cash Equivalents” on the statement of net 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 2019, TDA had no investments.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. 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 acquisition 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 over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Furniture, Fixtures, and Equipment	3 - 15 years
Software	3 years
Vehicles	5 - 10 years

**H. 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.

**I. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of TDA. For TDA, these revenues are primarily foundation payments from the State and tuition and fees. 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.

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

**J. Pension/Postemployment Benefits**

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

**K. Estimates**

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

**Note 3 - Change in Accounting Principles**

For fiscal year 2019, the TDA has implemented Governmental Accounting Standards Board (GASB) Statement No. 88, "Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements" and Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period".

GASB Statement No. 88 improves the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the TDA's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the TDA's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2019, the TDA also implemented GASB Implementation Guide No. 2017-2. These changes were incorporated in the TDA's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Deposits and Investments**

At fiscal year end, the carrying amount of TDA's deposits was \$5,117,195 and the bank balance was \$5,193,081. Of this amount, \$250,000 was covered by FDIC insurance and the remainder was collateralized with securities held by the pledging financial institution.

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**Note 5 - Receivables**

Receivables at June 30, 2019, consisted of accounts (student fees and billings for user charged services) and intergovernmental receivables. Receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. All receivables, with the exception of amounts due to TDA from META, are expected to be collected within one year. The amount due from META is expected to be received as follows.

Year	Amount
2020	\$352,770
2021	28,000
2026	4,811,908
Total	\$5,192,678

A summary of the principal items of intergovernmental receivables follows:

	Amount
State of Ohio	\$12,133
Marion County Sheriff	16,000
Worthington City School District	190
Idea Part - B	186,167
Title I	283,398
Title II-A	199,243
Title IV-A	65,903
META	5,192,678
Total Intergovernmental Receivables	\$5,955,712

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	\$69,155	\$80,564	\$0	\$149,719
Software	600,000	0	0	600,000
Vehicles	170,410	21,814	0	192,224
Total Depreciable Capital Assets	839,565	102,378	0	941,943
Less Accumulated Depreciation for				
Furniture, Fixtures, and Equipment	(29,107)	(30,661)	0	(59,768)
Software	(300,004)	(200,001)	0	(500,005)
Vehicles	(72,426)	(19,224)	0	(91,650)
Total Accumulated Depreciation	(401,537)	(249,886)	0	(651,423)
Capital Assets, Net	\$438,028	(\$147,508)	\$0	\$290,520

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**Note 7 - Risk Management**

TDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, TDA contracted for the following insurance coverage:

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:

Building and Contents	\$412,093
General School District Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. TDA's insurance coverage changed significantly from the prior fiscal year as a result of participating in a new insurance purchasing pool.

For fiscal year 2019, TDA participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

**Note 8 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

**Net Pension Liability/Net OPEB Liability (Asset)**

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension/OPEB liability (asset) represents TDA's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.



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**Note 8 - Defined Benefit Pension Plans** (continued)

The Ohio Revised Code limits TDA’s obligation for this liability to annually required payments. TDA cannot control benefit terms or the manner in which pensions/OPEB are financed; however, TDA does receive the benefit of employees’ services in exchange for compensation, including pension and OPEB.

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - TDA nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**Note 8 - Defined Benefit Pension Plans** (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning, April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and TDA is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

TDA's contractually required contribution to SERS was \$297,994 for fiscal year 2019. Of this amount, \$517 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - TDA licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

**Note 8 - Defined Benefit Pension Plans** (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-seven years of service credit, or thirty years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.53 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty or later.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

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**Note 8 - Defined Benefit Pension Plans** (continued)

TDA's contractually required contribution to STRS was \$654,995 for fiscal year 2019. Of this amount, \$46,624 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TDA's proportion of the net pension liability was based on TDA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05493690%	0.03349229%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.06090880%</u>	<u>0.03398671%</u>	
Change in Proportionate Share	<u>0.00597190%</u>	<u>0.00049442%</u>	
Proportionate Share of the Net Pension Liability	\$3,488,360	\$7,472,915	\$10,961,275
Pension Expense	\$1,292,244	\$2,694,348	\$3,986,592

At June 30, 2019, TDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$191,314	\$172,498	\$363,812
Changes of Assumptions	78,775	1,324,341	1,403,116
Changes in Proportionate Share and Difference Between TDA Contributions and Proportionate Share of Contributions	1,772,682	5,982,898	7,755,580
TDA Contributions Subsequent to the Measurement Date	<u>297,994</u>	<u>654,995</u>	<u>952,989</u>
Total Deferred Outflows of Resources	<u>\$2,340,765</u>	<u>\$8,134,732</u>	<u>\$10,475,497</u>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$0	\$48,802	\$48,802
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>96,651</u>	<u>453,150</u>	<u>549,801</u>
Total Deferred Inflows of Resources	<u>\$96,651</u>	<u>\$501,952</u>	<u>\$598,603</u>

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**Note 8 - Defined Benefit Pension Plans** (continued)

\$952,989 reported as deferred outflows of resources related to pension resulting from TDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2020	\$1,279,885	\$2,617,411	3,897,296
2021	810,355	2,407,408	3,217,763
2022	(114,479)	2,032,635	1,918,156
2023	(29,641)	(79,669)	(109,310)
Total	<u>\$1,946,120</u>	<u>\$6,977,785</u>	<u>\$8,923,905</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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**Note 8 - Defined Benefit Pension Plans** (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2018, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

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**Note 8 - Defined Benefit Pension Plans** (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of TDA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
TDA's Proportionate Share of the Net Pension Liability	\$4,913,618	\$3,488,360	\$2,293,376

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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**Note 8 - Defined Benefit Pension Plans** (continued)

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	<u>100.00%</u>	

\*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of TDA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents TDA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent as well as what TDA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
TDA's Proportionate Share of the Net Pension Liability	\$10,913,208	\$7,472,915	\$4,561,173



**Note 8 - Defined Benefit Pension Plans** (continued)

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2019, all members of the Board of Directors have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 9 - Postemployment Benefits**

See Note 8 for a description of the net OPEB liability (asset).

**School Employees Retirement System (SERS)**

Plan Description - TDA contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

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**Note 9 - Postemployment Benefits** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2019, TDA's surcharge obligation was \$8,478.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. TDA's contractually required contribution to SERS was \$19,515 for fiscal year 2019. Of this amount, \$8,497 is reported as an intergovernmental payable.

**State Teachers Retirement System (STRS)**

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to postemployment health care.

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Note 9 - Postemployment Benefits** (continued)

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. TDA's proportion of the net OPEB liability (asset) was based on TDA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.05261160%	0.03349229 %	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.05652630%</u>	<u>0.03398671%</u>	
Change in Proportionate Share	<u>0.00391470%</u>	<u>0.00049442%</u>	
Proportionate Share of the Net OPEB Liability	\$1,568,192	\$0	\$1,568,192
Net OPEB Asset	\$0	\$546,131	\$546,131
OPEB Expense	\$482,731	(\$925,728)	(442,997)

At June 30, 2019, TDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$25,598	\$63,789	\$89,387
Changes in Proportionate Share and Difference Between TDA Contributions and Proportionate Share of Contributions TDA Contributions Subsequent to the Measurement Date	756,457	1,297,031	2,053,488
	<u>19,515</u>	<u>0</u>	<u>19,515</u>
Total Deferred Outflows of Resources	<u>\$801,570</u>	<u>\$1,360,820</u>	<u>\$2,162,390</u>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$0	\$31,819	\$31,819
Changes of Assumptions	140,890	744,147	885,037
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	<u>2,353</u>	<u>62,391</u>	<u>64,744</u>
Total Deferred Inflows of Resources	<u>\$143,243</u>	<u>\$838,357</u>	<u>\$981,600</u>

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Note 9 - Postemployment Benefits** (continued)

\$19,515 reported as deferred outflows of resources related to OPEB resulting from TDA contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2020	\$347,977	\$120,141	\$468,118
2021	266,053	120,141	386,194
2022	6,628	120,140	126,768
2023	7,630	134,310	141,940
2024	7,467	139,284	146,751
2025	3,057	(111,553)	(108,496)
Total	<u>\$638,812</u>	<u>\$522,463</u>	<u>\$1,161,275</u>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74 as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Note 9 - Postemployment Benefits** (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.7 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates, set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Note 9 - Postemployment Benefits** (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.7 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of TDA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.7 percent) or one percentage point higher (4.7 percent) than the current discount rate (3.7 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25 percent decreasing to 3.75 percent) and one percentage point higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.7%)	Current Discount Rate (3.7%)	1% Increase (4.7%)
TDA's Proportionate Share of the Net OPEB Liability	\$1,902,878	\$1,568,192	\$1,303,184
	1% Decrease (6.25% Decreasing to 3.75%)	Current Trend Rate (7.25% Decreasing to 4.75%)	1% Increase (8.25% Decreasing to 5.75%)
TDA's Proportionate Share of the Net OPEB Liability	\$1,265,243	\$1,568,192	\$1,969,351

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Note 9 - Postemployment Benefits** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below.

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)". Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled be discontinued beginning January 1, 2020. However, in June 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**Note 9 - Postemployment Benefits** (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of TDA's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
TDA's Proportionate Share of the Net OPEB Asset	\$468,086	\$546,131	\$611,725
	1% Decrease	Current Trend Rate	1% Increase
TDA's Proportionate Share of the Net OPEB Asset	\$608,023	\$546,131	\$483,277

**Note 10 - Other Employee Benefits**

**A. Compensated Absences**

Vacation and sick leave benefits for TDA employees are outlined in TDA's personnel policy. Employees earn twelve to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment.

Employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days. Upon retirement, eligible employees may be paid 25-35 percent of accrued but unused sick leave to a maximum of forty-five or fifty-six and one-fourth days as detailed in the personnel policy.



TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

**B. Health Care Benefits**

TDA provides medical, dental, vision, and life insurance to employees through Anthem BlueCross BlueShield, Vision Service Plan, and AXA Equitable, respectively. The employees share the cost of monthly premium with the Board for medical, dental, and vision coverage.

**Note 11 - Long-Term Obligations**

Changes in TDA's long-term obligations during fiscal year 2019 were as follows:

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19	Amounts Due Within One Year
FTE Adjustments					
FY16 FTE Adjustment	\$4,176,583	\$0	\$1,002,380	\$3,174,203	\$1,002,380
FY17 FTE Adjustment	1,794,503	0	1,794,503	0	0
FY18 FTE Adjustment	1,154,033	0	524,560	629,473	629,473
FY19 FTE Adjustment	0	1,701,096	0	1,701,096	773,225
Total FTE Adjustments	<u>7,125,119</u>	<u>1,701,096</u>	<u>3,321,443</u>	<u>5,504,772</u>	<u>2,405,078</u>
Net Pension Liability					
SERS	3,282,357	206,003	0	3,488,360	0
STRS	7,956,165	0	483,250	7,472,915	0
Total Net Pension Liability	<u>11,238,522</u>	<u>206,003</u>	<u>483,250</u>	<u>10,961,275</u>	<u>0</u>
Net OPEB Liability					
SERS	1,411,957	156,235	0	1,568,192	0
STRS	1,306,745	0	1,306,745	0	0
Total Net OPEB Liability	<u>2,718,702</u>	<u>156,235</u>	<u>1,306,745</u>	<u>1,568,192</u>	<u>0</u>
Compensated Absences Payable	288,209	43,985	8,174	324,020	193,684
Total Long-Term Obligations	<u>\$21,370,552</u>	<u>\$2,107,319</u>	<u>\$5,119,612</u>	<u>\$18,358,259</u>	<u>\$2,598,762</u>

FTE Adjustment - The Ohio Department of Education annually reviews enrollment information to determine if State foundation funding adjustments are necessary. These adjustments may result in a receivable to or liability of TDA. TDA has a liability for these adjustments as follows.

Fiscal Year Ending June 30,	FTE Adjustment		
	FTE16	FTE18	FTE19
2020	\$1,002,380	\$629,473	\$773,225
2021	1,002,380	0	927,871
2022	1,002,380	0	0
2023	167,063	0	0
Total	<u>\$3,174,203</u>	<u>\$629,473</u>	<u>\$1,701,096</u>

**Note 11 - Long-Term Obligations** (continued)

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability. For additional information related to the net pension/OPEB liability, see Notes 8 and 9 to the basic financial statements.

**Note 12 - Insurance Pool**

TDA participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of superintendents, treasurers, and business managers. Carter Raynes Claims Service, Inc. is responsible for processing claims between SORSA and its members. Financial information can be obtained from SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

**Note 13 - 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, 2019.

**B. Litigation**

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

**C. Full Time Equivalency**

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Revised Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in additional adjustments to the enrollment information as well as claw backs of foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on TDA for fiscal year 2019. As a result of the fiscal year 2019 FTE Reviews, TDA owes ODE an additional \$1,701,096. See Note 11.

TRECA Digital Academy  
 Required Supplementary Information  
 Schedule of TDA's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

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	2019	2018
TDA's Proportion of the Net Pension Liability	0.06090880%	0.05493690%
TDA's Proportionate Share of the Net Pension Liability	\$3,488,360	\$3,282,357
TDA's Employee Payroll	\$1,958,585	\$927,743
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	178.11%	353.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%

(1) Information prior to 2018 is not available.

Amounts presented as of TDA's measurement date  
 which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

TRECA Digital Academy  
 Required Supplementary Information  
 Schedule of TDA's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

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	2019	2018
TDA's Proportion of the Net Pension Liability	0.03398671%	0.03349229%
TDA's Proportionate Share of the Net Pension Liability	\$7,472,915	\$7,956,165
TDA's Employee Payroll	\$3,926,400	\$2,078,636
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	190.32%	382.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%

(1) Information prior to 2018 is not available.

Amounts presented as of TDA's measurement date  
 which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

TRECA Digital Academy  
 Required Supplementary Information  
 Schedule of TDA's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

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	2019	2018
TDA's Proportion of the Net OPEB Liability	0.05652630%	0.05261160%
TDA's Proportionate Share of the Net OPEB Liability	\$1,568,192	\$1,411,957
TDA's Employee Payroll	\$1,958,585	\$927,743
TDA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	80.07%	152.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%

(1) Information prior to 2018 is not available.

Amounts presented as of the TDA's measurement date  
 which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

TRECA Digital Academy  
 Required Supplementary Information  
 Schedule of TDA's Proportionate Share of the Net OPEB Liability (Asset)  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

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	2019	2018
TDA's Proportion of the Net OPEB Liability	0.03398671%	0.03349229%
TDA's Proportionate Share of the Net OPEB Liability (Asset)	(\$546,131)	\$1,306,745
TDA's Employee Payroll	\$3,926,400	\$2,078,636
TDA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-13.91%	62.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%

(1) Information prior to 2018 is not available.

Amounts presented as of TDA's measurement date  
 which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

TRECA Digital Academy  
Required Supplementary Information  
Schedule of TDA's Contributions  
School Employees Retirement System of Ohio  
Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability</b>			
Contractually Required Contribution	\$297,994	\$264,409	\$129,884
Contributions in Relation to the Contractually Required Contribution	<u>(297,994)</u>	<u>(264,409)</u>	<u>(129,884)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TDA Employee Payroll (1)	\$2,207,363	\$1,958,585	\$927,743
Pension Contributions as a Percentage of Employee Payroll	13.50%	13.50%	14.00%
<b>Net OPEB Liability</b>			
Contractually Required Contribution (2)	\$19,515	\$16,945	\$14,166
Contributions in Relation to the Contractually Required Contribution	<u>(19,515)</u>	<u>(16,945)</u>	<u>(14,166)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>0.88%</u>	<u>0.87%</u>	<u>1.53%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>14.38%</u>	<u>14.37%</u>	<u>15.53%</u>

(1) TDA's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

TRECA Digital Academy  
Required Supplementary Information  
Schedule of TDA's Contributions  
State Teachers Retirement System of Ohio  
Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability</b>			
Contractually Required Contribution	\$654,995	\$549,696	\$291,009
Contributions in Relation to the Contractually Required Contribution	<u>(654,995)</u>	<u>(549,696)</u>	<u>(291,009)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TDA Employee Payroll	\$4,678,536	\$3,926,400	\$2,078,636
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability (Asset)</b>			
Contractually Required Contribution	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information



TRECA Digital Academy  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2019

**Net Pension Liability**

**Changes in Assumptions - SERS**

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, Including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

TRECA Digital Academy  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2019

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Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

**Net OPEB Liability**

**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2019	3.70 percent
Fiscal Year 2018	3.63 percent

**Changes in Assumptions - STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

TRECA Digital Academy  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2019

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Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	\$ 1,076,574
Special Education Cluster		
Special Education-Grants to States	84.027	529,728
Supporting Effective Instruction State Grants	84.367	279,882
Student Support and Academic Enrichment Program	84.424	<u>10,127</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>1,896,311</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 1,896,311</u></b>

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

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of TRECA Digital Academy (TDA) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TDA, it is not intended to and does not present the financial position, changes in net position, or cash flows of TDA.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

TDA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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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  
107 N. Main Street, Suite 100  
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 the business-type activities and remaining fund information of TRECA Digital Academy, Marion County (TDA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TDA’s basic financial statements and have issued our report thereon dated February 24, 2020.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered TDA’s internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of TDA’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 TDA’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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether TDA'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

***TDA's Response to Findings***

TDA's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not subject TDA response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 TDA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering TDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 24, 2020





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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 THE UNIFORM GUIDANCE**

TRECA Digital Academy  
Marion County  
107 N. Main Street, Suite 100  
Marion, Ohio 43302

To the Board of Directors:

***Report on Compliance for the Major Federal Program***

We have audited TRECA Digital Academy's (TDA) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect TRECA Digital Academy's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies TDA's major federal program.

***Management's Responsibility***

TDA's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on TDA's compliance for TDA'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 TDA'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 TDA's major program. However, our audit does not provide a legal determination on TDA'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, 2019.

***Report on Internal Control Over Compliance***

TDA'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 TDA'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 the Uniform Guidance, 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 TDA'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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 24, 2020

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Program's Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 – Title I Grants to Local Educational Agencies
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2019-001**

**Noncompliance / Material Weakness  
FTE Estimation of Percent of Time and Quarterly Adjustments in EMIS**

**Ohio Rev. Code § 3314.08(C)** provides the formula upon which community schools are funded on a full-time equivalency basis. In addition, §3314.08(H) requires the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The processes for calculating fulltime equivalency and any enrollment for less than the equivalent of a full school year used by the Ohio Department of Education (ODE) under Ohio Rev. Code § 3314.08(H) are reflected in its 2019 FTE Review Manual available on its website. In order for the school to receive accurate funding under Ohio Rev. Code § 3314.08(C), the school should follow the procedures outlined in this 2019 FTE Review Manual.

In the case, **Electronic Classroom of Tomorrow v. Ohio Dept. of Edn., Slip Opinion No. 2018-Ohio-3126**, the Ohio Supreme Court ruled “Ohio Department of Education has authority under R.C. 3314.08 to base funding of an e-school on the duration of student participation.” ODE has established student participation criteria and documentation requirements for electronic community schools in their FTE Review Manual.

**The Fiscal Year 2019 FTE Review Manual** provides that in order to avoid significant adjustments at the end of the year or during FTE Review, schools should estimate the student’s “percent of time attended” upon enrollment, and document and follow a procedure to update the percent of time attended quarterly. Eschools only receive credit for documented learning opportunities; missed days (both excused and unexcused absences) or assignments do not count as funded hours. A final adjustment will be made at the end of the school year to precisely reflect the student’s documented hours of participation in learning opportunities. ODE will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year.

At the close of the school’s fiscal year end, ODE will reconcile the Final FTE Foundation payments and determine whether the school has a corresponding receivable from or payable due to ODE based upon the accumulation of student FTE’s throughout the year. It is critical that schools accurately and timely report their student data to ODE in order for this reconciliation to be performed.

TDA received an FTE review from ODE for fiscal year 2019, in which, no issues were noted. However, significant percent of time adjustments were made by TDA at year-end that resulted in Final Foundation Funding adjustment of \$1,701,096.

Failure to timely report changes in FTE could result in significant amounts receivable from or payable to ODE at fiscal year-end.

We recommend TDA develop policies and implement procedures in order to better estimate the percent of time for students based on available records and enter it in EMIS quarterly.

**Officials’ Response**  
See Corrective Action Plan

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 2 CFR 200.511(b)  
 JUNE 30, 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-002	Controls for Identifying and Removing Duplicative Time	Partially Corrected- Repeated as Finding 2019-001	<p>As a result of fiscal years 2016-2019 FTE Reviews with the Ohio Department of Education, procedures continue to be examined to more effectively monitor both computer-based and non-computer based learning opportunities on a regular basis. This additional documentation, in conjunction with existing computer-based tracking, will continue to lead to more comprehensive analysis and collection of student time.</p> <p>As discussed in 2016-002, 2017-002, and 2018-001, the school has continued to take action by implementing new software on all assigned school computers to monitor learning activities in far greater detail as well as working with the Learning Management System vendor to reduce idle time and prohibit simultaneous sessions. The school has allocated resources to pull the data weekly (rather than monthly) to reduce duplicative aggregate time reporting.</p> <p>The school will continue to more clearly outline policies and procedures in regards to time tracking, and compliance with the Ohio Department of Education requirements.</p>
2017-004	Schedule of Expenditures of Federal Awards	Corrective Action Taken and Finding is Fully Corrected.	

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2019**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-001	The School has made FTE adjustments as prescribed by the Ohio Department of Education FTE Manual for fiscal year 2020.	June 30, 2020	Adam Clark, Executive Director Jessica Wake, Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**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 31, 2020**