



OHIO AUDITOR OF STATE  
**KEITH FABER**





**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Statement of Net Position .....	11
Statement of Revenues, Expenses, and Change in Net Position .....	12
Statement of Cash Flows .....	13
Statement of Fiduciary Net Position – Custodial Fund .....	14
Statement of Change in Fiduciary Net Position – Custodial Fund .....	15
Notes to the Basic Financial Statements .....	16
Required Supplementary Information:	
Schedule of TDA's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio .....	43
State Teachers Retirement System of Ohio .....	44
Schedule of TDA's Proportionate Share of the Net Pension Liability (Asset):	
School Employees Retirement System of Ohio .....	45
State Teachers Retirement System of Ohio .....	46
Schedule of TDA's Contributions:	
School Employees Retirement System of Ohio .....	47
State Teachers Retirement System of Ohio .....	48
Notes to the Required Supplementary Information .....	49
Schedule of Expenditures of Federal Awards .....	53
Notes to the Schedule of Expenditures of Federal Awards .....	54
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	55
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Programs and on Internal Control over Compliance Required by the Uniform Guidance .....	57
Schedule of Findings .....	59

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# OHIO AUDITOR OF STATE KEITH FABER



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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 the TRECA Digital Academy, Marion County, Ohio (TDA), as of and for the ended June 30, 2021, 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.

**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 the aggregate remaining fund information of the TDA, as of June 30, 2021, 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.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of TDA. We did not modify our opinion regarding this matter.

**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 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 March 29, 2022, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 29, 2021

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TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
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, 2021. 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 1,766 students in fiscal year 2021.

**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 2021. 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 2021 and fiscal year 2020:

Table 1 Net Position			
	2021	2020	Change
<u>Assets:</u>			
Current and Other Assets	\$5,216,791	\$5,139,846	\$76,945
Net OPEB Asset	645,038	655,391	(10,353)
Capital Assets, Net	105,231	107,654	(2,423)
Total Assets	5,967,060	5,902,891	64,169
<u>Deferred Outflows of Resources:</u>			
Pension	5,171,308	7,866,167	(2,694,859)
OPEB	1,417,432	1,699,594	(282,162)
Total Deferred Outflows of Resources	6,588,740	9,565,761	(2,977,021)

(continued)

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
Unaudited

Table 1 Net Position (continued)			
	2021	2020	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$1,776,760	\$2,701,928	\$925,168
Long Term Liabilities			
Pension	13,680,109	12,603,082	(1,077,027)
OPEB	1,468,907	1,508,324	39,417
Other Amounts	505,730	1,457,071	951,341
Total Liabilities	17,431,506	18,270,405	838,899
<u>Deferred Inflows of Resources:</u>			
Pension	543,536	515,026	(28,510)
OPEB	1,529,210	1,208,958	(320,252)
Total Deferred Inflows of Resources	2,072,746	1,723,984	(348,762)
<u>Net Position:</u>			
Net Investment in Capital Assets	105,231	107,654	(2,423)
Unrestricted (Deficit)	(7,053,683)	(4,633,391)	(2,420,292)
Total Net Position (Deficit)	(\$6,948,452)	(\$4,525,737)	(\$2,422,715)

The net pension/OPEB liability reported by TDA at June 30, 2021, 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, 2021  
Unaudited

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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 OPEB asset and the net OPEB liability and the increase in the net pension liability represent 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).

Aside from the changes related to pension/OPEB, there were few significant changes from the prior fiscal year. The decrease in current and other liabilities and the decrease in other long-term liabilities is the result of repayment of FTE adjustments to the Department of Education.

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
Unaudited

Table 2 reflects the change in net position for fiscal year 2021 and fiscal year 2020.

	2021	2020	Change
<b>Table 2</b>			
<b>Change in Net Position</b>			
<u>Operating Revenues:</u>			
Charges for Services	\$443,096	\$418,533	\$24,563
Foundation	12,459,552	12,169,748	289,804
Tuition and Fees	669,414	741,144	(71,730)
Intergovernmental	209,935	187,759	22,176
Other Operating Revenues	295,171	12,610	282,561
<b>Total Operating Revenues</b>	<b>14,077,168</b>	<b>13,529,794</b>	<b>547,374</b>
<u>Non-Operating Revenues:</u>			
Grants	1,801,199	1,692,902	108,297
Interest Revenue	6,050	85,015	(78,965)
<b>Total Non-Operating Revenues</b>	<b>1,807,249</b>	<b>1,777,917</b>	<b>29,332</b>
<b>Total Revenues</b>	<b>15,884,417</b>	<b>15,307,711</b>	<b>576,706</b>
 <u>Operating Expenses:</u>			
Salaries	7,064,042	7,114,333	50,291
Fringe Benefits	5,633,024	6,028,707	395,683
Purchased Services	2,714,884	2,969,336	254,452
Materials and Supplies	1,474,882	1,668,203	193,321
Claims	1,317,241	1,222,100	(95,141)
Depreciation	35,795	138,997	103,202
Other Operating Expenses	64,317	4,909,433	4,845,116
<b>Total Operating Expenses</b>	<b>18,304,185</b>	<b>24,051,109</b>	<b>5,746,924</b>
<u>Non-Operating Expenses:</u>			
Loss on Disposal of Capital Assets	2,947	52,442	49,495
<b>Total Expenses</b>	<b>18,307,132</b>	<b>24,103,551</b>	<b>5,796,419</b>
<b>Decrease in Net Position</b>	<b>(2,422,715)</b>	<b>(8,795,840)</b>	<b>6,373,125</b>
<b>Net Position at (Deficit) Beginning of Year</b>	<b>(4,525,737)</b>	<b>4,270,103</b>	<b>(8,795,840)</b>
<b>Net Position (Deficit) at End of Year</b>	<b>(\$6,948,452)</b>	<b>(\$4,525,737)</b>	<b>(\$2,422,715)</b>

The most significant change in operating revenue from the prior fiscal year is the increase in Foundation revenue due to an increase in student participation reported to the Ohio Department of Education (reported 1,722 students in fiscal year 2020 and 1,766 students in fiscal year 2021). The increase in other operating revenues was largely due to workers' compensation refunds from the prior fiscal year. The increase in grants revenue is primarily due to COVID relief funding.

TRECA Digital Academy  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
Unaudited

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The decrease in expenses (fringe benefits, purchased services, materials and supplies) can all be attributed to the impact of the pandemic. With staff working remotely, there was a lower need for office supplies, a reduction in mileage payments to employees, there were no field trips or site rentals, etc. The decrease in other expense is the result of TDA having to pay a \$4.8 million promissory note to META in the prior fiscal year to satisfy the mutual release agreement related to the Ohio Department of Education's FTE adjustments from prior fiscal years.

### **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 2021, TDA had \$105,231 invested in capital assets (net of accumulated depreciation). Additions was primarily new furniture; disposals included furniture and software. For further information regarding TDA's capital assets, refer to Note 6 to the basic financial statements.

### **Current Issues**

TDA has completed the twentieth year of operation. In fiscal year 2021, TDA 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 and 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.

### **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.

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TRECA Digital Academy  
Statement of Net Position  
June 30, 2021

<u>Assets:</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$4,185,215
Accounts Receivable	4,735
Intergovernmental Receivable	891,268
Prepaid Items	135,573
Total Current Assets	<u>5,216,791</u>
<u>Non-Current Assets:</u>	
Net OPEB Asset	645,038
Depreciable Capital Assets, Net	105,231
Total Non-Current Assets	<u>750,269</u>
Total Assets	<u>5,967,060</u>
<u>Deferred Outflows of Resources:</u>	
Pension	5,171,308
OPEB	1,417,432
Total Deferred Outflows of Resources	<u>6,588,740</u>
<u>Current Liabilities:</u>	
Accounts Payable	82,152
Accrued Wages and Benefits Payable	357,461
Intergovernmental Payable	1,063,491
Claims Payable	59,589
Compensated Absences Payable	214,067
Total Current Liabilities	<u>1,776,760</u>
<u>Non-Current Liabilities:</u>	
Intergovernmental Payable	167,063
Claims Payable	83,600
Compensated Absences Payable	255,067
Net Pension Liability	13,680,109
Net OPEB Liability	1,468,907
Total Non-Current Liabilities	<u>15,654,746</u>
Total Liabilities	<u>17,431,506</u>
<u>Deferred Inflows of Resources:</u>	
Pension	543,536
OPEB	1,529,210
Total Deferred Inflows of Resources	<u>2,072,746</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	105,231
Unrestricted (Deficit)	(7,053,683)
Total Net Position (Deficit)	<u>(\$6,948,452)</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, 2021

<u>Operating Revenues:</u>	
Charges for Services	\$443,096
Foundation	12,459,552
Tuition and Fees	669,414
Intergovernmental	209,935
Other Operating Revenues	295,171
Total Operating Revenues	<u>14,077,168</u>
<u>Operating Expenses:</u>	
Salaries	7,064,042
Fringe Benefits	5,633,024
Purchased Services	2,714,884
Materials and Supplies	1,474,882
Claims	1,317,241
Depreciation	35,795
Other Operating Expenses	64,317
Total Operating Expenses	<u>18,304,185</u>
Operating Loss	<u>(4,227,017)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Grants	1,801,199
Loss on Disposal of Capital Assets	(2,947)
Interest Revenue	6,050
Total Non-Operating Revenues (Expenses)	<u>1,804,302</u>
Change in Net Position	(2,422,715)
Net Position (Deficit) at Beginning of Year	<u>(4,525,737)</u>
Net Position (Deficit) at End of Year	<u><u>(\$6,948,452)</u></u>

See Accompanying Notes to the Basic Financial Statements



TRECA Digital Academy  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2021

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Charges for Services	\$444,098
Cash Received from Foundation	10,008,975
Cash Received from Tuition and Fees	666,176
Cash Received from Intergovernmental Revenues	224,224
Cash Received from Other Operating Revenues	279,912
Cash Payments for Salaries	(6,960,819)
Cash Payments for Fringe Benefits	(1,260,623)
Cash Payments for Goods and Services	(4,134,179)
Cash Payments for Claims	(1,271,628)
Cash Payments for Other Operating Expenses	(64,317)
Net Cash Used for Operating Activities	<u>(2,068,181)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	1,977,179
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Cash Flows from Capital Financing Activities:

Acquisition of Capital Assets	(36,319)
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>6,050</u>
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Net Decrease in Cash and Cash Equivalents	(121,271)
Cash and Cash Equivalents at Beginning of Year	<u>4,306,486</u>
Cash and Cash Equivalents at End of Year	<u><u>\$4,185,215</u></u>

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$4,227,017)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	35,795
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(4,450)
Increase in Intergovernmental Receivable	(368,457)
Increase in Prepaid Items	(1,289)
Increase in Accounts Payable	57,116
Increase in Accrued Wages and Benefits Payable	4,907
Decrease in Intergovernmental Payable	(2,082,306)
Increase in Claims Payable	45,613
Increase in Compensated Absences Payable	98,161
Decrease in Net Pension Liability	(203,345)
Decrease in Deferred Outflows - Pension	4,703,046
Decrease in Deferred Inflows - Pension	(699,305)
Decrease in Net OPEB Asset	128,215
Increase in Net OPEB Liability	146,631
Decrease in Deferred Outflows - OPEB	702,166
Decrease in Deferred Inflows - OPEB	(403,662)
Net Cash Used for Operating Activities	<u><u>(\$2,068,181)</u></u>

See Accompanying Notes to the Basic Financial Statements

TRECA Digital Academy  
Statement of Fiduciary Net Position  
Custodial Fund  
June 30, 2021

	<u>Custodial</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u><u>\$679</u></u>
<u>Net Position:</u>	
Restricted for Individuals	<u><u>\$679</u></u>

See Accompanying Notes to Basic Financial Statements

TRECA Digital Academy  
Statement of Change in Fiduciary Net Position  
Custodial Fund  
For the Fiscal Year Ended June 30, 2021

	Custodial
<u>Additions:</u>	
Miscellaneous	\$1,555
 <u>Deductions:</u>	
Payments on Behalf of Individuals	1,498
 Net Increase in Fiduciary Net Position	 57
 Net Position Beginning of Year	 622
Net Position at End of Year	\$679

See Accompanying Notes to Basic Financial Statements

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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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 sixty-seven classified employees, ninety-four certified teaching personnel, and seven administrative employees who provide services to one thousand seven hundred sixty-six 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.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

**E. Cash and Cash Equivalents**

Cash held by TDA is reflected as “Cash and Cash Equivalents” on the statement of net 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 2021, TDA had no investments.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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:

Description	Useful Lives
Furniture, Fixtures, and Equipment	3 - 15 years
Software	3 years
Vehicles	5 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 2021, TDA implemented GASB Implementation Guide No. 2019-1. These changes were incorporated in TDA's fiscal year 2021 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 \$4,185,894 and the bank balance was \$4,215,672. Of this amount, \$250,000 was covered by FDIC insurance and the remainder was collateralized with securities held by the pledging financial institution.

**Note 5 - Receivables**

Receivables at June 30, 2021, 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 are expected to be collected within one year.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**Note 5 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
State of Ohio	\$369,701
State of Pennsylvania	3,327
Federal Hocking LSD	1,955
Firelands LSD	1,172
Nelson York Board of Education	87
School Employees Retirement System	17,737
Wellington EVSD	309
ESSER	30,631
Idea B Special Education	138,148
Title I Noncompetative	37,814
Title I-A	204,717
Expanding Opportunities for Each Child Noncompetative	14,342
Early Childhood Special Education	2,115
Title II-A	57,887
Title IV-A	11,326
Total Intergovernmental Receivables	\$891,268

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	\$186,792	\$36,319	(\$3,050)	\$220,061
Software	600,000	0	(600,000)	0
Vehicles	21,814	0	0	21,814
Total Depreciable Capital Assets	808,606	36,319	(603,050)	241,875
Less Accumulated Depreciation for				
Furniture, Fixtures, and Equipment	(94,407)	(31,432)	103	(125,736)
Software	(600,000)	0	600,000	0
Vehicles	(6,545)	(4,363)	0	(10,908)
Total Accumulated Depreciation	(700,952)	(35,795)	600,103	(136,644)
Capital Assets, Net	\$107,654	\$524	(\$2,947)	\$105,231



TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**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 2021, TDA contracted for the following insurance coverage:

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

Building and Contents	\$446,146
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 and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2021, 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.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimates were not affected by incremental claim adjustment expenses and do not include other allocated or unallocated claim adjustment expenses.

TDA offers medical insurance to all employees through a self-insured program and utilizes a third party to manage claims processing. TDA's self-insurance program is funded based on actuarial estimates of the amounts needed to pay claims. Stop loss insurance covers claims exceeding \$75,000 per individual and \$1,000,000 total aggregate annually. Claims payable at June 30, 2021, was estimated by the third party administrator at \$143,189. Of this amount, \$59,589 is considered a short-term liability.

The change in the claims liability for fiscal year 2021 is as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2021	\$97,576	\$1,317,241	\$1,271,628	\$143,189
2020	0	1,222,100	1,124,524	97,576

**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 the School District'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.

The Ohio Revised Code limits the School District's obligation for these liabilities to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District 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 contribution 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.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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

Plan Description - School District nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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.

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. In 2020, the Board of Trustees approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District 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, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

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

The School District's contractually required contribution to SERS was \$353,998 for fiscal year 2021. Of this amount, \$984 is reported as an intergovernmental payable.

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

Plan Description - School District 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.

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. 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. Eligibility changes for DBP members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age sixty or thirty years of service credit at any age.

The DCP allows members to place all of 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 among the various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer contribution 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 is deposited into the member's DCP account and the remaining 2 percent is applied 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 at age fifty and after termination of employment.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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, 2021, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$616,001 for fiscal year 2021. Of this amount, \$47,468 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District'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	0.06438360%	0.03957105%	
Current Measurement Date	<u>0.07256360%</u>	<u>0.03670209%</u>	
Change in Proportionate Share	<u>0.00818000%</u>	<u>0.00286896%</u>	
Proportionate Share of the Net Pension Liability	\$4,799,509	\$8,880,600	\$13,680,109
Pension Expense	\$1,573,342	\$3,197,053	\$4,770,395

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

At June 30, 2021, the School District 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	\$9,323	\$19,925	\$29,248
Changes of Assumptions	0	476,716	476,716
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	304,671	431,865	736,536
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	325,490	2,633,319	2,958,809
School District Contributions Subsequent to the Measurement Date	<u>353,998</u>	<u>616,001</u>	<u>969,999</u>
Total Deferred Outflows of Resources	<u>\$993,482</u>	<u>\$4,177,826</u>	<u>\$5,171,308</u>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$0	\$56,785	\$56,785
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>0</u>	<u>486,751</u>	<u>486,751</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$543,536</u>	<u>\$543,536</u>

\$969,999 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30,			
2022	\$218,107	\$2,367,863	\$2,585,970
2023	198,995	244,291	443,286
2024	126,994	331,705	458,699
2025	<u>95,388</u>	<u>74,430</u>	<u>169,818</u>
Total	<u>\$639,484</u>	<u>\$3,018,289</u>	<u>\$3,657,773</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.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2020, 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 (level percent of payroll)

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 was 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.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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	2.00%	1.85%
U.S. Stocks	22.50	5.75
Non-U.S. Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00%</u>	

**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 the School District'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 the 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%)
School District's Proportionate Share of the Net Pension Liability	\$6,574,742	\$4,799,509	\$3,310,056



TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2020, 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.

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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, 2020. 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, 2020. 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, 2020.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent as well as what the School District'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%)
School District's Proportionate Share of the Net Pension Liability	\$12,644,428	\$8,880,600	\$5,691,069

**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, 2021, all members of the Board of Directors have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 9 - Defined Benefit OPEB Plans**

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

**School Employees Retirement System (SERS)**

Plan Description - The School District 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 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.

**Note 9 - Defined Benefit OPEB Plans** (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 2021, no allocation 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 2021, this amount was \$23,000. 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 2021, the School District's surcharge obligation was \$7,641.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$7,641 for fiscal year 2021. Of this amount, \$7,641 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. 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. All benefit recipients 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, 2021, STRS did not allocate any employer contributions to postemployment health care.

**OPEB Liability (Asset), 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, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**Note 9 - Defined Benefit OPEB Plans** (continued)

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	.05997810%	.03957105%	
Current Measurement Date	.06758800%	.03670209%	
Change in Proportionate Share	<u>.00760990%</u>	<u>.00286896%</u>	
Proportionate Share of the			
Net OPEB Liability	\$1,468,907	\$0	\$1,468,907
Net OPEB Asset	\$0	\$645,038	\$645,038
OPEB Expense	\$355,750	\$225,241	\$580,991

At June 30, 2021, the School District 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	\$19,292	\$41,331	\$60,623
Changes of Assumptions	250,397	10,648	261,045
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	16,551	22,606	39,157
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	242,759	806,207	1,048,966
School District Contributions Subsequent to the Measurement Date	7,641	0	7,641
Total Deferred Outflows of Resources	<u>\$536,640</u>	<u>\$880,792</u>	<u>\$1,417,432</u>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$747,043	\$128,482	\$875,525
Changes of Assumptions	36,998	612,678	649,676
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	0	4,009	4,009
Total Deferred Inflows of Resources	<u>\$784,041</u>	<u>\$745,169</u>	<u>\$1,529,210</u>

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**Note 9 - Defined Benefit OPEB Plans** (continued)

\$7,641 reported as deferred outflows of resources related to OPEB resulting from School District 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, 2022. 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
2022	(\$49,496)	\$97,026	\$47,530
2023	(48,299)	112,327	64,028
2024	(48,494)	117,697	69,203
2025	(53,872)	(134,865)	(188,737)
2026	(42,052)	(24,723)	(66,775)
Thereafter	(12,829)	(31,839)	(44,668)
Total	(\$255,042)	\$135,623	(\$119,419)

**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, 2021

**Note 9 - Defined Benefit OPEB Plans** (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below.

Inflation	3 percent
Wage Increases	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	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 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.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**Note 9 - Defined Benefit OPEB Plans** (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2020, was 3.22 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 2.45 percent, as of June 30, 2020 (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 the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rates. 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 (1.63 percent) or one percentage point higher (3.63 percent) than the current discount rate (2.63 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 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63)
School District's Proportionate Share of the Net OPEB Liability	\$1,797,907	\$1,468,907	\$1,207,355
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$1,156,654	\$1,468,907	\$1,886,473



TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**Note 9 - Defined Benefit OPEB Plans** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2020, 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
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 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, 2020, 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, there was no change to the claims cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

**Note 9 - Defined Benefit OPEB Plans** (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, 2020. 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, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates - The following table represents the net OPEB asset as of June 30, 2020, 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%)
School District's Proportionate Share of the Net OPEB Asset	\$561,226	\$645,038	\$716,151
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$711,737	\$645,038	\$563,790

**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-seven 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, 2021

**Note 10 - Other Employee Benefits** (continued)

**B. Health Care Benefits**

TDA offers employee medical benefits through a self-insured program administered by UMR Insurance Company. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. TDA provides dental, vision, and life insurance to employees through Trustmark, Vision Service Plan, and Equitable America, 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 2021 were as follows:

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21	Amounts Due Within One Year
FTE Adjustments					
FY16 FTE Adjustment	\$2,171,823	\$0	\$1,002,380	\$1,169,443	\$1,002,380
FY19 FTE Adjustment	927,871	0	927,871	0	0
FY20 FTE Adjustment	150,625	0	150,625	0	0
Total FTE Adjustments	<u>3,250,319</u>	<u>0</u>	<u>2,080,876</u>	<u>1,169,443</u>	<u>1,002,380</u>
Net Pension Liability					
SERS	3,852,183	947,326	0	4,799,509	0
STRS	8,750,899	129,701	0	8,880,600	0
Total Net Pension Liability	<u>12,603,082</u>	<u>1,077,027</u>	<u>0</u>	<u>13,680,109</u>	<u>0</u>
Net OPEB Liability					
SERS	1,508,324	0	39,417	1,468,907	0
Other Long-Term Obligations					
Claims Payable	97,576	1,317,241	1,271,628	143,189	59,589
Compensated Absences Payable	370,973	102,649	4,488	469,134	214,067
Total Other Long-Term Obligations	<u>468,549</u>	<u>1,419,890</u>	<u>1,276,116</u>	<u>612,323</u>	<u>273,656</u>
Total Long-Term Obligations	<u>\$17,830,274</u>	<u>\$2,496,917</u>	<u>\$3,396,409</u>	<u>\$16,930,782</u>	<u>\$1,276,036</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
2022	\$1,002,380
2023	167,063
Total	<u>\$1,169,443</u>

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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**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, 2021.

**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. As of the date of this report, ODE has not performed an FTE review on TDA for fiscal year 2021. As a result of the fiscal year 2021 FTE adjustments, ODE owes TDA \$369,701. See Note 5.

TRECA Digital Academy  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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**Note 14 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**Note 15 - Subsequent Event**

For fiscal year 2022, community school foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

	2021	2020	2019	2018
TDA's Proportion of the Net Pension Liability	0.07256360%	0.06438360%	0.06090880%	0.05493690%
TDA's Proportionate Share of the Net Pension Liability	\$4,799,509	\$3,852,183	\$3,488,360	\$3,282,357
TDA's Employee Payroll	\$2,543,379	\$2,207,363	\$1,958,585	\$927,743
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	188.71%	174.52%	178.11%	353.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	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 Four Fiscal Years (1)

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	2021	2020	2019	2018
TDA's Proportion of the Net Pension Liability	0.03670209%	0.03957105%	0.03398671%	0.03349229%
TDA's Proportionate Share of the Net Pension Liability	\$8,880,600	\$8,750,899	\$7,472,915	\$7,956,165
TDA's Employee Payroll	\$4,435,600	\$4,678,536	\$3,926,400	\$2,078,636
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	200.21%	187.04%	190.32%	382.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.30%	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 Four Fiscal Years (1)

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	2021	2020	2019	2018
TDA's Proportion of the Net OPEB Liability	0.06758800%	0.05997810%	0.05652630%	0.05261160%
TDA's Proportionate Share of the Net OPEB Liability	\$1,468,907	\$1,508,324	\$1,568,192	\$1,411,957
TDA's Employee Payroll	\$2,543,379	\$2,207,363	\$1,958,585	\$927,743
TDA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	57.75%	68.33%	80.07%	152.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	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 Four Fiscal Years (1)

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	2021	2020	2019	2018
TDA's Proportion of the Net OPEB Liability	0.03670209%	0.03957105%	0.03398671%	0.03349229%
TDA's Proportionate Share of the Net OPEB Liability (Asset)	(\$645,038)	(\$655,391)	(\$546,131)	\$1,306,745
TDA's Employee Payroll	\$4,435,600	\$4,678,536	\$3,926,400	\$2,078,636
TDA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.54%	-14.01%	-13.91%	62.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	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 Five Fiscal Years

	2021	2020	2019	2018	2017
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$353,998	\$356,073	\$297,994	\$264,409	\$129,884
Contributions in Relation to the Contractually Required Contribution	<u>(353,998)</u>	<u>(356,073)</u>	<u>(297,994)</u>	<u>(264,409)</u>	<u>(129,884)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TDA Employee Payroll (1)	\$2,528,557	\$2,543,379	\$2,207,363	\$1,958,585	\$927,743
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.50%	13.50%	14.00%
<b>Net OPEB Liability</b>					
Contractually Required Contribution (2)	\$7,641	\$6,948	\$19,515	\$16,945	\$14,166
Contributions in Relation to the Contractually Required Contribution	<u>(7,641)</u>	<u>(6,948)</u>	<u>(19,515)</u>	<u>(16,945)</u>	<u>(14,166)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>0.30%</u>	<u>0.27%</u>	<u>0.88%</u>	<u>0.87%</u>	<u>1.53%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>14.30%</u>	<u>14.27%</u>	<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 Five Fiscal Years

	2021	2020	2019	2018	2017
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$616,001	\$620,984	\$654,995	\$549,696	\$291,009
Contributions in Relation to the Contractually Required Contribution	<u>(616,001)</u>	<u>(620,984)</u>	<u>(654,995)</u>	<u>(549,696)</u>	<u>(291,009)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TDA Employee Payroll	\$4,400,007	\$4,435,600	\$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>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability (Asset)</b>					
Contractually Required Contribution	\$0	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	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>	<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, 2021

**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, 2021

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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 were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were 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 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2021	2.45 percent
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2021	2.63 percent
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 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, 2021

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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 1, 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.

For fiscal year 2020, there was no change to the claims cost process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal AL Number	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through the Ohio Department of Education</i>		
COVID-19 Education Stabilization Fund	84.425D	\$ 296,827
Title I Grants to Local Educational Agencies	84.010	694,559
Special Education Cluster		
Special Education Grants to States	84.027	643,871
Special Education Preschool Grants	84.173	158
Total Special Education Cluster		<u>644,029</u>
Supporting Effective Instruction State Grants	84.367	186,531
Student Support and Academic Enrichment Program	84.424	121,191
English Language Acquisition State Grants	84.365	<u>1,516</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>1,944,653</u></b>
<b>U.S. DEPARTMENT OF THE TREASURY</b> <i>Passed Through the Ohio Department of Education</i>		
COVID-19 Coronavirus Relief Fund	21.019	<u>10,755</u>
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>		<b><u>10,755</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u><u>\$ 1,955,408</u></u></b>

**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, 2021**

**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, 2021. 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.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## 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, 2021, and the related notes to the financial statements, which collectively comprise TDA's basic financial statements and have issued our report thereon dated March 29, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of TDA.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered TDA's internal control over financial reporting (internal control) as a basis for designing 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 29, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAMS 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 Programs***

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 programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies TDA's major federal programs.

### ***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 programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on TDA's compliance for TDA's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 programs. However, our audit does not provide a legal determination on TDA's compliance.

***Opinion on the Major Federal Programs***

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 programs for the year ended June 30, 2021.

***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 a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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

March 29, 2022

**TRECA DIGITAL ACADEMY  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

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

<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>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material 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>	Special Education Cluster  Supporting Effective Instruction State Grants (#84.367)
<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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**TRECA DIGITAL ACADEMY**

**MARION COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/14/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)