



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

TRECA DIGITAL ACADEMY
MARION COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2025



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Columbus, Ohio 43215
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800-282-0370

Board of Directors
TRECA Digital Academy
107 N. Main Street, Suite 100
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of TRECA Digital Academy, Marion County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2024 through June 30, 2025. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. TRECA Digital Academy is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

April 15, 2026

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TRECA DIGITAL ACADEMY
MARION COUNTY
FOR THE YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of TRECA Digital Academy, Marion County, Ohio (TDA), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise TDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 TRECA Digital Academy, Marion County, Ohio as of June 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of TDA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2025, the district adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TDA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TDA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TDA's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TDA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Portsmouth, Ohio
December 31, 2025

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

The discussion and analysis of TRECA Digital Academy's (TDA) financial performance provides an overall review of TDA's financial activities for the fiscal year ended June 30, 2025. 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 2,067 students in fiscal year 2025.

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 2025. 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 2025 and fiscal year 2024:

Table 1
Net Position

	2025	Restated 2024*	Change
<u>Assets:</u>			
Current and Other Assets	\$19,540,317	\$15,765,449	\$3,774,868
Net OPEB Asset	694,550	685,208	9,342
Capital Assets, Net	3,228,912	3,548,295	(319,383)
Total Assets	<u>23,463,779</u>	<u>19,998,952</u>	<u>3,464,827</u>
<u>Deferred Outflows of Resources:</u>			
Pension	2,657,362	2,542,522	114,840
OPEB	481,195	609,470	(128,275)
Total Deferred Outflows of Resources	<u>3,138,557</u>	<u>3,151,992</u>	<u>(13,435)</u>

(continued)

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Table 1
Net Position
(continued)

	2025	Restated 2024*	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,306,766	\$1,571,428	(\$735,338)
Long Term Liabilities			
Pension	10,815,510	11,666,595	851,085
OPEB	697,075	1,119,857	422,782
Other Amounts	3,602,791	2,655,390	(947,401)
Total Liabilities	<u>17,422,142</u>	<u>17,013,270</u>	<u>(408,872)</u>
<u>Deferred Inflows of Resources:</u>			
Pension	1,287,087	1,060,983	(226,104)
OPEB	1,672,672	1,594,980	(77,692)
Total Deferred Inflows of Resources	<u>2,959,759</u>	<u>2,655,963</u>	<u>(303,796)</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	881,820	913,423	(31,603)
Restricted	694,550	685,208	9,342
Unrestricted	4,644,065	1,883,080	2,760,985
Total Net Position	<u>\$6,220,435</u>	<u>\$3,481,711</u>	<u>\$2,738,724</u>

New Accounting Pronouncement/Restatements*

Net position at June 30, 2024, in the business-type activity was restated by \$966,420 to \$3,481,711. Intergovernmental receivable was understated due to the participation in hybrid funding from the Ohio Department of Education and Workforce (DEW) with a final payment received after the filing of the financial statements as explained in Note 3. Under GASB Statement No. 100, "Accounting Changes and Error Corrections", this change is considered a correction of an error, and the effects of this restatement have been reflected in the 2024 column. For fiscal year 2025, TDA implemented GASB Statement No. 101 "Compensated Absences". GASB Statement No. 100 does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle.

The implementation of GASB Statement No. 101 resulted in recognizing an additional compensated absences liabilities of \$1,624,913 in business-type activity at July 1, 2024. These amounts also impacted beginning net position for the cumulative effect of additional compensated absences expense (See Note 3).

Business-Type Activity

The net pension/OPEB liability (asset) reported by TDA at June 30, 2025, 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.

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

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.

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.

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Each year, the above referenced changes impact the balance of the net pension/OPEB liability (asset) and the related deferred inflows and outflows. During fiscal year 2025, the net pension liability and the net OPEB liability decreased and net OPEB asset increased for both STRS and SERS. These changes primarily resulted from increased investment earnings. The increase in deferred outflows for pension primarily results from the difference between expected and actual experience amounts recognized in 2025 for STRS, offset by the amortization recognized in the current year for both STRS and SERS. The increase in deferred inflows for pension resulted from the difference between projected and actual earnings on investments recognized in the current year offset by the amortization recognized in the current year. For STRS, the net difference between projected and actual earnings on investments for OPEB changed from a net deferred outflow to a net deferred inflow as a result of prior year amortization offset by the deferred inflow amount recognized in 2025. The decrease in the remaining deferred outflows for OPEB resulted primarily from the amortization of prior year SERS amounts. The increase in deferred inflows for OPEB resulted from the amortization recognized in the current year exceeding the difference between expected and actual experience amounts, change of assumptions amounts, and the difference between projected and actual earnings on investments amounts, recognized in fiscal year 2025.

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

Aside from the changes related to pension/OPEB, there were few significant changes from the prior fiscal year. The increase in current and other assets is due to an increase in cash particularly in revenues (primarily State foundation funding, tuition and fees and interest). With this increase, net position unrestricted increased. The increase in current and other liabilities is primarily due to accrued wages (timing of pay periods). Current and other liabilities also increased along with other long-term liabilities due to the change in compensated absences with the implementation of GASB Statement No. 101 (see discussion above).

Table 2 reflects the change in net position for fiscal year 2025 and fiscal year 2024.

Table 2
Change in Net Position

	2025	Restated 2024*	Change
<u>Operating Revenues:</u>			
Charges for Services	\$420,032	\$388,526	\$31,506
Foundation	18,508,190	17,094,924	1,413,266
Tuition and Fees	1,060,938	1,016,170	44,768
Intergovernmental	248,834	219,494	29,340
Other Operating Revenues	157,488	229,018	(71,530)
Total Operating Revenues	<u>20,395,482</u>	<u>18,948,132</u>	<u>1,447,350</u>
<u>Non-Operating Revenues</u>			
Grants	2,054,364	4,988,333	(2,933,969)
Investment Earnings and Other Interest	696,340	420,627	275,713
Total Non-Operating Revenues	<u>2,750,704</u>	<u>5,408,960</u>	<u>(2,658,256)</u>
Total Revenues	<u>23,146,186</u>	<u>24,357,092</u>	<u>(1,210,906)</u>

(continued)

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Table 2
Change in Net Position
(continued)

	2025	Restated 2024*	Change
<u>Operating Expenses:</u>			
Salaries	\$9,712,971	\$8,607,606	(\$1,105,365)
Fringe Benefits	699,749	1,577,077	877,328
Purchased Services	3,587,977	3,008,008	(579,969)
Materials and Supplies	1,111,832	1,081,817	(30,015)
Claims	2,556,383	2,217,006	(339,377)
Depreciation/Amortization	875,646	649,801	(225,845)
Other Operating Expenses	87,867	72,711	(15,156)
Total Operating Expenses	18,632,425	17,214,026	(1,418,399)
<u>Non-Operating Expenses</u>			
Interest Expense	150,124	182,279	32,155
Total Expenses	18,782,549	17,396,305	(1,386,244)
Increase in Net Position	4,363,637	6,960,787	(2,597,150)
Net Position (Deficit) at Beginning of Year as Previously Reported	3,481,711	(3,479,076)	6,960,787
Restatement - Change in Accounting Principle	(1,624,913)	0	(1,624,913)
Restated Net Position (Deficit) at Beginning of Year	1,856,798	(3,479,076)	5,335,874
Net Position at End of Year	\$6,220,435	\$3,481,711	\$2,738,724

New Accounting Pronouncements/Restatements*

Net position beginning of year in business-type activities was restated for corrections by \$966,420 to \$3,481,711 at June 30, 2024. Under GASB Statement No. 100, "Accounting Changes and Error Corrections", this change is considered a correction of an error and the restatement has been reflected in the impacted 2024 column. This change impacted foundation revenue (understated by \$966,420). This change was related to intergovernmental receivable, as explained in Note 3.

Table 2 also provides a summary of TDA's change in net position for fiscal year 2025 compared to 2024. The above table also separately reflects the restatement for changes in accounting principles related to the implementation of GASB Statement No. 101, "Compensated Absences". GASB Statement No. 100, "Accounting Changes and Error Corrections" does not require Management Discussion and Analysis information for years prior to periods presented in the basic financial statements to be restated for changes in accounting principle. The 2024 information does not reflect activity related to the additional compensated absences expenses required under GASB Statement No. 101, "Compensated Absences". (See also explanation of new accounting pronouncements provided related to Net Position - Table 1 and explanation provided in Note 3.)

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Business-Type Activity

The most significant change in operating revenue from the prior fiscal year is the increase in Foundation revenue as the result of TDA opting into the hybrid funding model for community schools (additional funding for dropout prevention and recovery for e-schools) and an increase in student participation reported to the Ohio Department of Education and Workforce (reported 2,019 students in fiscal year 2024 and 2,067 students in fiscal year 2025). The increase in tuition and fees is for an increase in summer school enrollment and flex revenue. Grants revenue decreased primarily due to the reduction of COVID relief funding (ESSER grants).

While the overall increase in expenses from the prior fiscal year is impacted by the increase in pension expense and decrease in OPEB expense, there are some other noteworthy changes. Salaries increased as the Board approved a 5 percent cost of living increase of salaries. The increase in purchased services are primarily due to relying on vendors for services with staff vacancies. Claims expense experienced higher medical administration/stop loss costs.

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 2025, TDA had \$881,820 invested in capital assets (net of accumulated depreciation/amortization). Additions include intangible right to use subscriptions, and staff, teacher and student equipment. Disposals included staff, teacher and student equipment and copiers. For further information regarding TDA's capital assets, refer to Note 6 to the basic financial statements.

Debt Administration

At the end of fiscal year 2025, TDA had leases and subscriptions payable, in the amount of \$2,204,957 and \$116,295, respectively. TDA's long-term obligations also include FTE Adjustments, the net pension/OPEB liability, claims payable, and compensated absences. For further information regarding TDA's long-term obligations refer to Note 11 to the basic financial statements.

TRECA Digital Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
Unaudited

Current Issues

TDA became operational in 2001 as a non-profit public school, and one of the first online schools in the state of Ohio. In fiscal year 2025, TDA continued to be an appealing alternative for students and families looking for educational opportunities. Parents and students value the flexibility of our continuous progress model and use of technology to provide educational opportunities in an online learning environment. 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 a variety of support services and personnel. Our focus remains on helping students progress through their assigned curriculum at an appropriate pace. We strive to provide all students with a meaningful online learning experience, despite the obstacles they may face. We work with each student to understand his or her unique situation to eliminate as many barriers to learning as possible. We want to help students understand the lasting value of education and that learning will still be a big part of their lives even after they graduate.

Contacting TDA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of TDA's finances and to reflect TDA's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jessica Wake, Treasurer, TRECA Digital Academy, 107 North Main Street, Suite 100, Marion, Ohio 43302.

TRECA Digital Academy
Statement of Net Position
June 30, 2025

Assets:

Current Assets:

Cash and Cash Equivalents	\$18,577,940
Accounts Receivable	1,023
Intergovernmental Receivable	719,420
Accrued Interest Receivable	49,229
Prepaid Items	192,705
Total Current Assets	<u>19,540,317</u>

Non-Current Assets:

Restricted Assets:

Net OPEB Asset	694,550
Depreciable Capital Assets, Net	3,228,912
Total Non-Current Assets	<u>3,923,462</u>
Total Assets	<u>23,463,779</u>

Deferred Outflows of Resources:

Pension	2,657,362
OPEB	481,195
Total Deferred Outflows of Resources	<u>3,138,557</u>

Current Liabilities:

Accounts Payable	141,032
Accrued Wages and Benefits Payable	566,015
Matured Compensated Absences Payable	6,984
Intergovernmental Payable	151,682
Matured Leases Payable	25,840
Matured Interest Payable	19,109
Claims Payable	130,657
Leases Payable	285,264
Subscription Payable	91,933
Compensated Absences Payable	888,250
Total Current Liabilities	<u>2,306,766</u>

Non-Current Liabilities:

Claims Payable	161,200
Leases Payable	1,919,693
Subscription Payable	24,362
Compensated Absences Payable	1,497,536
Net Pension Liability	10,815,510
Net OPEB Liability	697,075
Total Non-Current Liabilities	<u>15,115,376</u>
Total Liabilities	<u>17,422,142</u>

Deferred Inflows of Resources:

Pension	1,287,087
OPEB	1,672,672
Total Deferred Inflows of Resources	<u>2,959,759</u>

Net Position:

Net Investment in Capital Assets	881,820
Restricted for OPEB Plan	694,550
Unrestricted	4,644,065
Total Net Position	<u>\$6,220,435</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, 2025

<u>Operating Revenues:</u>	
Charges for Services	\$420,032
Foundation	18,508,190
Tuition and Fees	1,060,938
Intergovernmental	248,834
Other Operating Revenues	157,488
Total Operating Revenues	<u>20,395,482</u>
<u>Operating Expenses:</u>	
Salaries	9,712,971
Fringe Benefits	699,749
Purchased Services	3,587,977
Materials and Supplies	1,111,832
Claims	2,556,383
Depreciation/Amortization	875,646
Other Operating Expenses	87,867
Total Operating Expenses	<u>18,632,425</u>
Operating Income	<u>1,763,057</u>
<u>Non-Operating Revenues (Expenses):</u>	
Grants	2,054,364
Investment Earnings and Other Interest	696,340
Interest Expense	(150,124)
Total Non-Operating Revenues (Expenses)	<u>2,600,580</u>
Change in Net Position	<u>4,363,637</u>
Net Position Beginning of Year as Previously Reported	2,515,291
Changes in Accounting Principle - See Note 3	(1,624,913)
Error Correction - See Note 3	<u>966,420</u>
Restated Net Position Beginning of Year	<u>1,856,798</u>
Net Position at End of Year	<u><u>\$6,220,435</u></u>
See Accompanying Notes to the Basic Financial Statements	

TRECA Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

Increase in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Charges for Services	\$420,032
Cash Received from Foundation	19,069,465
Cash Received from Tuition and Fees	1,084,897
Cash Received from Intergovernmental Revenues	248,834
Cash Received from Other Operating Revenues	182,537
Cash Payments for Salaries	(9,359,464)
Cash Payments for Fringe Benefits	(1,649,081)
Cash Payments for Goods and Services	(4,746,165)
Cash Payments for Claims	(2,546,920)
Cash Payments for Other Operating Expenses	(88,670)
Net Cash Provided by Operating Activities	<u>2,615,465</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Grants	<u>2,258,858</u>
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Cash Flows from Capital Financing Activities:

Acquisition of Capital Assets	(475,953)
Lease Principal	(281,119)
Lease Interest	(134,094)
Subscription Principal	(103,790)
Subscription Interest	(16,030)
Net Cash Used for Capital Financing Activities	<u>(1,010,986)</u>

Cash Flows from Investing Activities:

Cash Received from Investment Earnings and Other Interest	<u>665,266</u>
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Net Increase in Cash and Cash Equivalents	4,528,603
Cash and Cash Equivalents at Beginning of Year	<u>14,049,337</u>
Cash and Cash Equivalents at End of Year	<u>\$18,577,940</u>
	(continued)

TRECA Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(continued)

Reconciliation of Operating Income	
<u>to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$1,763,057
Adjustments to Reconcile Operating Income	
<u>to Net Cash Provided by Operating Activities:</u>	
Depreciation/Amortization	875,646
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	28,668
Decrease in Intergovernmental Receivable	609,870
Increase in Prepaid Items	(58,223)
Increase in Accounts Payable	9,924
Increase in Accrued Wages and Benefits Payable	120,578
Increase in Matured Compensated Absences Payable	6,984
Decrease in Intergovernmental Payable	(46,703)
Increase in Matured Leases Payable	16,819
Increase in Matured Interest Payable	18,305
Increase in Claims Payable	9,463
Increase in Compensated Absences Payable	227,055
Increase in Net Pension Liability	944,392
Decrease in Deferred Outflows - Pension	834,217
Decrease in Deferred Inflows - Pension	(2,518,430)
Decrease in Net OPEB Asset	67,620
Increase in Net OPEB Liability	134,179
Decrease in Deferred Outflows - OPEB	217,145
Decrease in Deferred Inflows - OPEB	(645,101)
Net Cash Provided by Operating Activities	<u><u>\$2,615,465</u></u>

During fiscal year 2025, TDA entered into new subscriptions in the amount of \$80,310.

See Accompanying Notes to the Basic Financial Statements

TRECA Digital Academy
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2025

	<u>Custodial</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>\$441</u>
<u>Net Position:</u>	
Restricted for Individuals	<u>\$441</u>
See Accompanying Notes to Basic Financial Statements	

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TRECA Digital Academy
Statement of Change in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2025

	<u>Custodial</u>
<u>Additions:</u>	
Miscellaneous	\$1,063
<u>Deductions:</u>	
Payments on Behalf of Individuals	<u>1,139</u>
Net Decrease in Fiduciary Net Position	(76)
Net Position Beginning of Year	<u>517</u>
Net Position at End of Year	<u><u>\$441</u></u>
See Accompanying Notes to Basic Financial Statements	

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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. On February 16, 2023, the district entered into a contract effective fiscal year 2024 through fiscal year 2030. 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 eighty-two classified employees, one-hundred seven certified teaching personnel, and seven administrative employees who provide services to two thousand sixty-seven 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 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 assets 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 assets 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, 2025

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

Cash and investments 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. Investments are reported at fair value or amortized costs. Fair value is based on quoted market price or current share price. During fiscal year 2025, TDA invested in negotiable certificate of deposits, federal agency securities, United States treasury notes, commercial paper, and mutual funds.

TDA’s commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, 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. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions. Restricted assets represent amounts held in trust by the OPEB plans for future benefits.

H. Capital Assets

All capital assets (except for intangible right-to-use lease assets and subscription assets which are discussed below) are capitalized at cost (or estimated historical 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
Vehicles	5 years

Note 2 - Summary of Significant Accounting Policies (continued)

TDA is reporting intangible right to use assets related to lease assets and subscription assets. The lease assets include buildings and equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. Subscription assets represent intangible right to use assets related to the use of another party's IT software. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease/subscription term or the useful life of the underlying asset.

I. Compensated Absences

For TDA, compensated absences includes leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. TDA does not offer noncash settlements. The School District uses a first-in first-out flow assumption for compensated absences.

Liabilities should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates and is allowed to be carried over to subsequent years, and the leave is more likely than not to be used for time off or otherwise paid in cash. For TDA, this leave includes sick and vacation time. However, TDA also has certain compensated absences that are dependent upon the occurrence of a sporadic events that affects a relatively small proportion of employees. A liability for these types of leave is recognized when the leave commences. For TDA this type of leave includes bereavement leave, military leave, personal leave, on-the-job injury leave, and court leave. Holiday leave taken on a specific date, not at the discretion of the employee is recognized as a liability when used. The liability for compensated absences includes salary-related payments, where applicable.

Liabilities for compensated absences are recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.

On enterprise fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Note 2 - Summary of Significant Accounting Policies (continued)

J. Leases/Subscriptions Payable

TDA serves as lessee in various noncancellable leases which are accounted for as follows:

Lessee At the commencement of a lease, TDA initially measures the lease liability as the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs. Subsequently, the lease asset is amortized in a systematic and rational manor over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long term debt on the statement of net position.

TDA is reporting Subscription Based Information Technology Arrangements (SBITAs) for various noncancellable IT software contracts. At the commencement of the subscription term, TDA initially measures the subscription liability at the present value of the payment expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at the commencement of the subscription term, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on in a systematic and rational manner over the shorter of the subscription term or useful of the underlying IT asset. Subscription assets are reported with other capital assets and subscription payables are reported with long term debt on the statement of net position.

K. 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. Restricted net position for OPEB plans represent the corresponding restricted asset amounts held in trust by the OPEB plans for future benefits.

L. 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)

M. Pension/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and 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 plan. 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 plans report investments at fair value.

N. 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 - Accounting Changes, Error Corrections, and Restatement of Net Position

A. Change in Accounting Principle

For fiscal year 2024, TDA implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

GASB Statement No. 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. For TDA, GASB Statement No. 101 increased the compensated absences liability and the cumulative effects of compensated absences related expense decreased beginning net position.

GASB Statement No. 102 will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB Statement No. 102 requirements apply only to note disclosure and do not have any effect on beginning net position. TDA evaluated their concentrations and constraints but did not have any events that required disclosure.

B. Error Correction

It was determined that intergovernmental receivable and unrestricted net position were understated in business type activities by \$966,420 at June 30, 2024. Foundation revenue and the change in net position were also understated by the same amount. The understatement resulted in a delayed foundation payment received by TDA.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 3 - Accounting Changes, Error Corrections, and Restatement of Net Position (continued)

The following table summarizes the impact of accounting changes and an error correction references above on beginning net position.

	6/30/2024 As Previously Reported	Change in Accounting Principle GASB 101	Error Correction Intergovernmental Receivable	6/30/2024 As Restated
Entity Wide				
Business-Type Activities	\$2,515,291	(\$1,624,913)	\$966,420	\$1,856,798

Note 4 - Deposits and Investments

Monies held by TDA are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon TDA's treasury. Active monies must be maintained either as cash in TDA treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of TDA's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by TDA may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 4 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of TDA, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to TDA's Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 4 - Deposits and Investments (continued)

Investments

As of June 30, 2025, TDA had the following investments:

Measurement/Investment	Measurement Amount	Less Than Six Months	Six Months to More Than One Year
Fair Value - Level One Inputs			
Mutual Funds	\$205,281	\$205,281	\$0
Fair Value - Level Two Inputs			
Negotiable Certificates of Deposit	2,000,501	101,637	1,898,864
Federal Farm Credit Bank Notes	726,283	0	726,283
Federal Home Loan Bank Notes	342,468	0	342,468
Federal Home Loan Mortgage Corporation Notes	49,986	49,986	0
United States Treasury Notes	3,358,704	0	3,358,704
Total Fair Value - Level Two Inputs	6,477,942	151,623	6,326,319
Amortized Cost			
Commercial Paper	1,214,031	1,214,031	0
Total Investments	\$7,897,254	\$1,570,935	\$6,326,319

TDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies TDA's recurring fair value measurements as of June 30, 2025. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs). TDA's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of TDA.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 4 - Deposits and Investments (continued)

The mutual funds carry a rating of Aaa-mf by Moody's. The negotiable certificates of deposit are covered by FDIC insurance. The federal agency securities and United States Treasury securities carry a rating of Aa1 by Moody's. The commercial paper carries a rating of P-1 by Moody's or A-1 by S&P. TDA has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized statistical rating service, commercial paper must be rated in the highest category at the time of purchase by two nationally recognized statistical rating services.

The following table indicates the percentage of each investment to TDA's total portfolio.

	<u>Fair</u>	<u>Percentage of</u>
Negotiable Certificates of Deposit	\$2,000,501	25.33%
Federal Farm Credit Bank	726,283	9.20
Federal Home Loan Bank	342,468	4.34
Federal Home Loan Mortgage Corporation	49,986	0.63
United States Treasury	3,358,704	42.53
Commercial Paper	1,214,031	15.37

Note 5 - Receivables

Receivables at June 30, 2025, consisted of accounts (student fees and billings for user charged services), intergovernmental, and accrued interest 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.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Foundation	\$382,811
School Employees Retirement System	2,675
State of Ohio	23,980
Idea B Special Education	127,495
Title I Non Competative	44,708
Title I-A	111,661
Title IV-A	13,891
Title II-A	12,199
Total Intergovernmental Receivables	<u><u>\$719,420</u></u>

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance at 6/30/2024	Additions	Reductions	Balance at 6/30/2025
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	\$1,059,115	\$475,953	\$0	\$1,535,068
Vehicles	53,069	0	0	53,069
Intangible Right to Use Lease - Office Space	3,188,975	0	0	3,188,975
Intangible Right to Use Lease - Equipment	48,881	0	0	48,881
Intangible Right to Use Lease - Subscriptions	546,250	80,310	(4,302)	622,258
Total Depreciable Capital Assets	4,896,290	556,263	(4,302)	5,448,251
Less Accumulated Depreciation/Amortization				
Furniture, Fixtures, and Equipment	(269,249)	(388,786)	0	(658,035)
Vehicles	(31,191)	(6,251)	0	(37,442)
Intangible Right to Use Lease - Office Space	(725,087)	(279,805)	0	(1,004,892)
Intangible Right to Use Lease - Equipment	(4,193)	(8,814)	0	(13,007)
Intangible Right to Use Lease - Subscriptions	(318,275)	(191,990)	4,302	(505,963)
Total Accumulated Depreciation/Amortization	(1,347,995)	(875,646)	4,302	(2,219,339)
Depreciable Capital Assets, Net	\$3,548,295	(\$319,383)	\$0	\$3,228,912

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 2025, TDA contracted for the following insurance coverage:

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

Building and Contents	\$475,487
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 2025, 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.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 7 - Risk Management (continued)

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, 2025, was estimated by the third party administrator at \$291,857. Of this amount, \$130,657 is considered a short-term liability.

The change in the claims liability for fiscal year 2025 is as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2025	\$282,394	\$2,556,383	\$2,546,920	\$291,857
2024	192,842	2,217,006	2,127,454	282,394

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 already have occurred.

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

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8 - Defined Benefit Pension Plans (continued)

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 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 healthcare 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 year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - TDA non-teaching 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. That report can be obtained by visiting the SERS website at 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; or 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; or Age 60 with 25 years of service credit

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

Note 8 - Defined Benefit Pension Plans (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. 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. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and TDA is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

TDA's contractually required contribution to SERS was \$490,395 for fiscal year 2025. Of this amount \$317 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Note 8 - Defined Benefit Pension Plans (continued)

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary 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. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8 - Defined Benefit Pension Plans (continued)

New members who choose the DC plan or Combined Plan 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 Combined Plan 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 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan 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 DC Plan 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. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

TDA's contractually required contribution to STRS was \$826,020 for fiscal year 2025. Of this amount \$77,145 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TDA's proportion of the net pension liability was based on TDA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07369330%	0.03661677%	
Prior Measurement Date	<u>0.07382940%</u>	<u>0.03523178%</u>	
Change in Proportionate Share	<u>-0.00013610%</u>	<u>0.00138499%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,769,852	\$7,045,658	\$10,815,510
Pension Expense	\$349,364	\$227,230	\$576,594

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8 - Defined Benefit Pension Plans (continued)

At June 30, 2025, TDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$143,930	\$443,692	\$587,622
Changes of assumptions	33,724	324,702	358,426
Changes in proportionate share and difference between TDA contributions and proportionate share of contributions	0	394,899	394,899
TDA contributions subsequent to the measurement date	490,395	826,020	1,316,415
Total Deferred Outflows of Resources	<u>\$668,049</u>	<u>\$1,989,313</u>	<u>\$2,657,362</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$3,858	\$3,858
Changes of assumptions	0	244,408	244,408
Net difference between projected and actual earnings on pension plan investments	235,802	605,784	841,586
Changes in proportionate share and difference between TDA contributions and proportionate share of contributions	31,866	165,369	197,235
Total Deferred Inflows of Resources	<u>\$267,668</u>	<u>\$1,019,419</u>	<u>\$1,287,087</u>

\$1,316,415 reported as deferred outflows of resources related to pension resulting from TDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2026	(\$202,516)	(\$455,516)	(\$658,032)
2027	219,082	757,924	977,006
2028	(37,242)	(67,602)	(104,844)
2029	(69,338)	(90,932)	(160,270)
Total	<u>(\$90,014)</u>	<u>\$143,874</u>	<u>\$53,860</u>

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their 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 termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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, 2024, are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

TRECA Digital Academy
Notes to the Basic Financial Statements
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Note 8 - Defined Benefit Pension Plans (continued)

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 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. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of TDA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
TDA's proportionate share of the net pension liability	\$5,767,351	\$3,769,852	\$2,088,065

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

	<u>June 30, 2022</u>
Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-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 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that 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, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

Sensitivity of TDA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents TDA's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what TDA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
TDA's proportionate share of the net pension liability	\$11,365,881	\$7,045,658	\$3,391,492

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, 2025, 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).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - TDA contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 65 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 statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Note 9 - Defined Benefit OPEB Plans (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 established 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.

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 2025, 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, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide 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 2025, TDA's surcharge obligation was \$9,555.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. TDA's contractually required contribution to SERS was \$9,555 for fiscal year 2025. Of this amount \$9,555 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the 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 post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 - Defined Benefit OPEB Plans (continued)

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an independent actuarial valuation as of that date. TDA's proportion of the net OPEB liability (asset) was based on TDA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.06844160%	0.03661677%	
Prior Measurement Date	<u>0.06797540%</u>	<u>0.03523178%</u>	
Change in Proportionate Share	<u>0.00046620%</u>	<u>0.00138499%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$697,075	\$0	\$697,075
Net OPEB Asset	\$0	\$694,550	\$694,550
OPEB Expense	(\$70,707)	(\$145,895)	(\$216,602)

At June 30, 2025, TDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$30,193	\$30,193
Changes of assumptions	299,184	85,490	384,674
Net difference between projected and actual earnings on OPEB plan investments	3,404	0	3,404
Changes in proportionate Share and difference between TDA contributions and proportionate share of contributions	46,828	6,541	53,369
TDA contributions subsequent to the measurement date	<u>9,555</u>	<u>0</u>	<u>9,555</u>
Total Deferred Outflows of Resources	<u>\$358,971</u>	<u>\$122,224</u>	<u>\$481,195</u>

(continued)

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 - Defined Benefit OPEB Plans (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$751,627	\$74,849	\$826,476
Changes of assumptions	320,211	313,238	633,449
Net difference between projected and actual earnings on OPEB plan investments	0	29,822	29,822
Changes in Proportionate Share and difference between TDA contributions and proportionate share of contributions	<u>166,346</u>	<u>16,579</u>	<u>182,925</u>
Total Deferred Inflows of Resources	<u>\$1,238,184</u>	<u>\$434,488</u>	<u>\$1,672,672</u>

\$9,555 reported as deferred outflows of resources related to OPEB resulting from TDA contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	(\$192,780)	(\$103,639)	(\$296,419)
2027	(152,655)	(49,622)	(202,277)
2028	(127,877)	(62,027)	(189,904)
2029	(107,373)	(57,761)	(165,134)
2030	(106,348)	(47,164)	(153,512)
Thereafter	<u>(201,735)</u>	<u>7,949</u>	<u>(193,786)</u>
Total	<u>(\$888,768)</u>	<u>(\$312,264)</u>	<u>(\$1,201,032)</u>

Actuarial Assumptions - SERS

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

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

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 - Defined Benefit OPEB Plans (continued)

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 OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

	June 30, 2024
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 - Defined Benefit OPEB Plans (continued)

The most recent experience study was completed for the five-year period ended June 30, 2020.

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 2016 through 2020, and was adopted by the Board on April 15, 2021. 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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Sensitivity of TDA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
TDA's proportionate share of the net OPEB liability	\$929,524	\$697,075	\$512,362

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 - Defined Benefit OPEB Plans (continued)

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
TDA's proportionate share of the net OPEB liability	\$471,196	\$697,075	\$993,973

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed 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 to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of TDA's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
TDA's proportionate share of the net OPEB asset	\$564,715	\$694,550	\$807,535
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TDA's proportionate share of the net OPEB asset	\$815,167	\$694,550	\$549,493

Note 10 - Other Employee Benefits

A. Compensated Absences

Vacation and sick leave benefits for TDA employees are outlined in TDA's personnel policy. Eligible employees earn twenty days of vacation per year. 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-half days as detailed in the personnel policy.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 Delta Dental, 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 2025 were as follows:

	Balance at 7/1/2024	Additions	Reductions	Balance at 6/30/2025	Due Within One Year
FTE Adjustments					
FY24 FTE Adjustment	\$29,148	\$0	\$29,148	\$0	\$0
FY25 FTE Adjustment	0	4,043	0	4,043	4,043
Total FTE Adjustments	29,148	4,043	29,148	4,043	4,043
Net Pension Liability					
SERS	4,079,454	0	309,602	3,769,852	0
STRS	7,587,141	0	541,483	7,045,658	0
Total Net Pension Liability	11,666,595	0	851,085	10,815,510	0
Net OPEB Liability					
SERS	1,119,857	0	422,782	697,075	0
Other Long-Term Obligations					
Leases Payable	2,486,076	0	281,119	2,204,957	285,264
Subscriptions Payable	139,775	80,310	103,790	116,295	91,933
Claims Payable	282,394	2,556,383	2,546,920	291,857	130,657
Compensated Absences Payable	2,158,731	227,055	0	2,385,786	888,250
Total Other Long-Term Obligations	5,066,976	2,863,748	2,931,829	4,998,895	1,396,104
Total Long-Term Obligations	\$17,882,576	\$2,867,791	\$4,234,844	\$16,515,523	\$1,400,147

FTE Adjustment - The Ohio Department of Education and Workforce 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 the fiscal year 2025 in the amount of \$4,043 due in fiscal year 2026.

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.

Increases and decreases to compensated absences are presented net on the above table.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 11 - Long-Term Obligations (continued)

Leases and Subscriptions Payable - TDA has outstanding agreements for the lease of office space and copiers, and also has various outstanding contracts to use a SBITA vendor's IT software including human resources, mass communications, project management, student learning management, student curriculum, and internal communication software. The future lease/subscription payments were discounted based on the interest rate implicit in the lease/subscription or using TDA's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease/subscription.

A summary of the principal and interest amounts for the remaining leases/subscriptions is as follows:

Fiscal Year	Leases		Subscriptions	
	Principal	Interest	Principal	Interest
2026	\$285,264	\$128,593	\$91,933	\$8,989
2027	304,487	113,425	24,362	1,949
2028	323,401	96,966	0	0
2029	251,440	80,383	0	0
2030	206,946	65,923	0	0
2031-2034	833,419	124,529	0	0
Total	<u>\$2,204,957</u>	<u>\$609,819</u>	<u>\$116,295</u>	<u>\$10,938</u>

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, 2025.

TRECA Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 13 - Contingencies (continued)

B. Litigation

There are currently no matters in litigation with 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 and Workforce (DEW) 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, DEW 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. DEW performed such a review on TDA for fiscal year 2025. As a result of the fiscal year 2025 FTE Reviews, TDA owes DEW \$4,043. See Note 11.

Note 14 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During Fiscal year 2025, TDA received COVID-19 funding, TDA will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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

	2025	2024	2023	2022
TDA's Proportion of the Net Pension Liability	0.07369330%	0.07382940%	0.07486700%	0.07314610%
TDA's Proportionate Share of the Net Pension Liability	\$3,769,852	\$4,079,454	\$4,049,390	\$2,698,879
TDA's Employee Payroll	\$3,088,364	\$2,928,464	\$2,792,657	\$2,528,557
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	122.07%	139.30%	145.00%	106.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.52%	76.06%	75.82%	82.86%

(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

2021	2020	2019	2018
0.07256360%	0.06438360%	0.06090880%	0.05493690%
\$4,799,509	\$3,852,183	\$3,488,360	\$3,282,357
\$2,543,379	\$2,207,363	\$1,958,585	\$927,743
188.71%	174.52%	178.11%	353.80%
68.55%	70.85%	71.36%	69.50%

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

	2025	2024	2023	2022
TDA's Proportion of the Net Pension Liability	0.03661677%	0.03523178%	0.03355556%	0.035659966%
TDA's Proportionate Share of the Net Pension Liability	\$7,045,658	\$7,587,141	\$7,459,442	\$4,559,448
TDA's Employee Payroll	\$5,078,507	\$4,860,250	\$4,358,243	\$4,400,007
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	138.73%	156.11%	171.16%	103.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.50%	80.00%	78.90%	87.80%

(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

2021	2020	2019	2018
0.03670209%	0.03957105%	0.03398671%	0.03349229%
\$8,880,600	\$8,750,899	\$7,472,915	\$7,956,165
\$4,435,600	\$4,678,536	\$3,926,400	\$2,078,636
200.21%	187.04%	190.32%	382.76%
75.50%	77.30%	77.30%	75.30%

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

	2025	2024	2023	2022
TDA's Proportion of the Net OPEB Liability	0.06844160%	0.06797540%	0.06938700%	0.06766380%
TDA's Proportionate Share of the Net OPEB Liability	\$697,075	\$1,119,857	\$974,200	\$1,280,592
TDA's Employee Payroll	\$3,088,364	\$2,928,464	\$2,792,657	\$2,528,557
TDA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	22.57%	38.24%	34.88%	50.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.50%	30.02%	30.34%	24.08%

(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

2021	2020	2019	2018
0.06758800%	0.05997810%	0.05652630%	0.05261160%
\$1,468,907	\$1,508,324	\$1,568,192	\$1,411,957
\$2,543,379	\$2,207,363	\$1,958,585	\$927,743
57.75%	68.33%	80.07%	152.19%
18.17%	15.57%	13.57%	12.46%

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 Eight Fiscal Years (1)

	2025	2024	2023	2022
TDA's Proportion of the Net OPEB Liability	0.03661677%	0.03523178%	0.03355556%	0.035659966%
TDA's Proportionate Share of the Net OPEB Liability (Asset)	(\$694,550)	(\$685,208)	(\$868,866)	(\$751,861)
TDA's Employee Payroll	\$5,078,507	\$4,860,250	\$4,358,243	\$4,400,007
TDA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-13.68%	-14.10%	-19.94%	-17.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	158.00%	168.50%	230.70%	174.70%

(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

2021	2020	2019	2018
0.03670209%	0.03957105%	0.03398671%	0.03349229%
(\$645,038)	(\$655,391)	(\$546,131)	\$1,306,745
\$4,435,600	\$4,678,536	\$3,926,400	\$2,078,636
-14.54%	-14.01%	-13.91%	62.87%
182.10%	174.70%	176.00%	47.10%

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

	2025	2024	2023	2022
Net Pension Liability				
Contractually Required Contribution	\$490,395	\$432,371	\$409,985	\$390,972
Contributions in Relation to the Contractually Required Contribution	<u>(490,395)</u>	<u>(432,371)</u>	<u>(409,985)</u>	<u>(390,972)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TDA Employee Payroll (1)	\$3,502,821	\$3,088,364	\$2,928,464	\$2,792,657
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$9,555	\$10,905	\$6,558	\$8,666
Contributions in Relation to the Contractually Required Contribution	<u>(9,555)</u>	<u>(10,905)</u>	<u>(6,558)</u>	<u>(8,666)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>0.27%</u>	<u>0.35%</u>	<u>0.22%</u>	<u>0.31%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>14.27%</u>	<u>14.35%</u>	<u>14.22%</u>	<u>14.31%</u>

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

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$353,998	\$356,073	\$297,994	\$264,409	\$129,884
<u>(353,998)</u>	<u>(356,073)</u>	<u>(297,994)</u>	<u>(264,409)</u>	<u>(129,884)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,528,557	\$2,543,379	\$2,207,363	\$1,958,585	\$927,743
14.00%	14.00%	13.50%	13.50%	14.00%
\$7,641	\$6,948	\$19,515	\$16,945	\$14,166
<u>(7,641)</u>	<u>(6,948)</u>	<u>(19,515)</u>	<u>(16,945)</u>	<u>(14,166)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.30%</u>	<u>0.27%</u>	<u>0.88%</u>	<u>0.87%</u>	<u>1.53%</u>
<u>14.30%</u>	<u>14.27%</u>	<u>14.38%</u>	<u>14.37%</u>	<u>15.53%</u>

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net Pension Liability				
Contractually Required Contribution	\$826,020	\$710,991	\$680,435	\$610,154
Contributions in Relation to the Contractually Required Contribution	<u>(826,020)</u>	<u>(710,991)</u>	<u>(680,435)</u>	<u>(610,154)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TDA Employee Payroll	\$5,900,143	\$5,078,507	\$4,860,250	\$4,358,243
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability (Asset)				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<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>
OPEB Contributions as a Percentage of Employee Payroll	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>

See Accompanying Notes to the Required Supplementary Information

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$616,001	\$620,984	\$654,995	\$549,696	\$291,009
<u>(616,001)</u>	<u>(620,984)</u>	<u>(654,995)</u>	<u>(549,696)</u>	<u>(291,009)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,400,007	\$4,435,600	\$4,678,536	\$3,926,400	\$2,078,636
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
\$0	\$0	\$0	\$0	\$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	0.00%	0.00%	0.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

TRECA Digital Academy
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Net Pension Liability

Changes in Benefit Terms/Assumptions - SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

Amounts reported in 2022 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 prior years are presented below:

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, 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 new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

TRECA Digital Academy
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustment (COLA)	0.0 percent, effective July 1, 2017	0.0 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 after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Fiscal Years 2022 through 2024	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

TRECA Digital Academy
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

Changes in Benefit Term - STRS Pension

For 2024 and 2025, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability

Changes in Assumptions - SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	<u>2022</u>	<u>2021 and Prior</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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 2025	3.93 percent
Fiscal year 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
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 price inflation	
Fiscal year 2025	4.88 percent
Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

TRECA Digital Academy
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

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.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

Changes in Benefit Terms - STRS OPEB

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 premium reimbursements will be discontinued beginning January 2020.

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

For fiscal year 2020, there was no change to the claims costs 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 costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on 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 Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Assistance Listing Number (ALN)	Pass Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Education Stabilization Fund	84.425U	NA	\$ 381,111
Special Education Grants to States	84.027A	NA	688,068
Title I Grants to Local Educational Agencies	84.010	NA	910,679
Supporting Effective Instruction State Grants	84.367	NA	147,288
Student Support and Academic Enrichment Program	84.424A	NA	55,448
Stronger Connections	84.424F	NA	15,770
Total Student Support and Academic Enrichment program			<u>71,218</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,198,364</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,198,364</u>

The accompanying notes are an integral part of this schedule.

**TRECA DIGITAL ACADEMY
MARION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025. 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.

NOTE D – CONSORTIUM

TDA participates in a consortium for certain federal awards received from the Ohio Department of Education and Workforce as required.



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements the business-type activities and the aggregate remaining fund information of TRECA Digital Academy, Marion County, (TDA) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise TDA's basic financial statements and have issued our report thereon dated December 31, 2025, wherein we noted the district adopted new accounting guidance in Governmental Accounting Standards Board Statement 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TDA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TDA's internal control. Accordingly, we do not express an opinion on the effectiveness of TDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TDA's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted to the right.

BHM CPA Group, Inc.
Portsmouth, Ohio
December 31, 2025



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Directors:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited TRECA Digital Academy's, Marion County, (TDA) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on TRECA Digital Academy's major federal program for the year ended June 30, 2025. TRECA Digital Academy's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, TRECA Digital Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of TDA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of TDA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

TDA's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to TDA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on TDA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about TDA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TDA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of TDA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of TDA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted to the right.

BHM CPA Group, Inc.
Portsmouth, Ohio
December 31, 2025

**TRECA DIGITAL ACADEMY
MARION COUNTY**

Schedule of Findings
2 CFR § 200.515
June 30, 2025

1. SUMMARY OF AUDITOR'S RESULTS

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

**TRECA DIGITAL ACADEMY
MARION COUNTY**

Schedule of Findings
2 CFR § 200.515
June 30, 2025

**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 4/21/2026

65 East State 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