TRECA DIGITAL ACADEMY
MARION COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

TRECA DIGITAL ACADEMY
MARION COUNTY

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TRECA DIGITAL ACADEMY
MARION COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of TRECA Digital Academy, Marion County, Ohio[i] (TDA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise TDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of TRECA Digital Academy, Marion County, Ohio, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, TDA adopted new accounting guidance in Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of TDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TDA's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 13, 2019

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The discussion and analysis of TRECA Digital Academy's (TDA) financial performance provides an overall review of TDA's financial activities for the fiscal year ended June 30, 2018. 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 2,195 students in fiscal year 2018.

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 2018. 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 2018 and fiscal year 2017:

Table 1
Net Position

	2018	2017	Change
Assets:			
Current and Other Assets	$11,323,640	$8,619,086	$2,704,554
Capital Assets, Net	438,028	660,031	(222,003)
Total Assets	11,761,668	9,279,117	2,482,551
Deferred Outflows of Resources:			
Pension	13,530,012	420,893	13,109,119
OPEB	2,713,751	14,166	2,699,585
Total Deferred Outflows of Resources	16,243,763	435,059	15,808,704

(continued)

Table 1
Net Position
(continued)

	2018	2017	Change
Liabilities:			
Current and Other Liabilities	$4,012,665	$2,915,300	($1,097,365)
Long Term Liabilities			
Pension	11,238,522	0	(11,238,522)
OPEB	2,718,702	0	(2,718,702)
Other Amounts	3,940,892	6,163,941	2,223,049
Total Liabilities	21,910,781	9,079,241	(12,831,540)
Deferred Inflows of Resources:			
Pension	342,268	0	(342,268)
OPEB	298,832	0	(298,832)
Total Deferred Inflows of Resources	641,100	0	(641,100)
Net Position:			
Net Investment in Capital Assets	438,028	660,031	(222,003)
Unrestricted (Deficit)	5,015,522	(25,096)	5,040,618
Total Net Position	$5,453,550	$634,935	$4,818,615

The net pension liability reported by TDA at June 30, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For fiscal year 2018, TDA adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability 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, respectively, not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 75, TDA is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $620,769 to $634,935.

Pension/OPEB related changes noted in the above table reflect an increase in deferred outflows and deferred inflows. The increase in the net pension/OPEB liability represents 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 liability. TDA did not report any liability for pension/OPEB in the prior fiscal year due to TDA's contractual arrangement with META.

The increase in current and other assets was primarily due to an increase in cash and cash equivalents resulting from a sizable net operating income for fiscal year 2018. The decrease in net capital assets and the investment in capital assets is due to annual depreciation. The increase in current and other liabilities is due to an increase in the short-term portion of the FTE liability due to the Ohio Department of Education. This is also reflected in the decrease in other long-term liabilities due to the retirement of a portion of this debt.

Table 2 reflects the change in net position for fiscal year 2018 and fiscal year 2017.

Table 2
Change in Net Position

	2018	2017	Change
Operating Revenues:			
Charges for Services	$14,719	$0	$14,719
Foundation	14,242,565	5,406,543	8,836,022
Tuition and Fees	1,202,258	447,849	754,409
Intergovernmental	124,458	5,694,050	(5,569,592)
Other Operating Revenues	93,864	110,668	(16,804)
Total Operating Revenues	15,677,864	11,659,110	4,018,754
Non-Operating Revenues:			
Grants	1,267,526	1,259,206	8,320
Interest Revenue	33,760	2,929	30,831
Total Non-Operating Revenues	1,301,286	1,262,135	39,151
Total Revenues	16,979,150	12,921,245	4,057,905
Operating Expenses:			
Salaries	6,062,479	3,284,209	(2,778,270)
Fringe Benefits	1,228,654	960,538	(268,116)
Purchased Services	2,736,285	6,559,904	3,823,619
Materials and Supplies	1,834,796	1,845,631	10,835
Depreciation	237,178	126,017	(111,161)
Other Operating Expenses	61,143	308,233	247,090
Total Operating Expenses	12,160,535	13,084,532	923,997
Increase (Decrease) in Net Position	4,818,615	(163,287)	4,981,902
Net Position at Beginning of Year	634,935	798,222	(163,287)
Net Position at End of Year	$5,453,550	$634,935	$4,818,615

GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the fiscal year 2018 financial statements report negative OPEB expense of $334,894. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed.

Total 2018 Expenses Under GASB Statement No. 75	$12,160,535
OPEB Expense Under GASB Statement No. 75	(334,894)
2018 Contractually Required Contribution	16,945
Adjusted 2018 Expenses	11,842,586
Total 2017 Expenses Under GASB Statement No. 45	(13,098,698)
Decrease in Expenses Not Related to OPEB	($1,256,112)

STRS adopted certain assumption changes including a reduction in the discount rate and also voted to suspend cost of living adjustments (COLA). SERS decreased the COLA assumption. See Note 8.

Note the significant increase in Foundation revenue. In the prior fiscal year, there was a reduction in the Foundation revenue due to an $8.3 million liability to the Ohio Department of Education resulting from Foundation overpayments. The increase in tuition and fees is largely the result of increased enrollment. The decrease in intergovernmental revenue is due to a $5.5 million receivable recorded in fiscal year 2017 for resources owed to TDA from META.

For the first six months for fiscal year 2017, TDA paid for the costs of salaries and benefits through purchased services provided by META. Beginning on January 1, 2017, TDA no longer purchased its education and operational services from META. As a result, for fiscal year 2018 the above table reflects an increase in salaries and fringe benefits costs and a reduction in purchased services.

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 2018, TDA had $438,028 invested in capital assets (net of accumulated depreciation). Additions were minimal and there were no disposals. For further information regarding TDA's capital assets, refer to Note 6 to the basic financial statements.

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Current Issues

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

In fiscal year 2018, we continued to be an attractive alternative for students/families looking for educational opportunity. The flexibility of our year-round calendar, continuous progress model, and use of cutting edge technology remain important aspects of the program to parents and students.

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

Contacting TDA's Financial Management

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

TRECA Digital Academy
Statement of Net Position
June 30, 2018

Assets:	
Current Assets:	
Cash and Cash Equivalents	$5,170,362
Accounts Receivable	19,253
Intergovernmental Receivable	6,134,025
Total Current Assets	11,323,640
Non-Current Assets:	
Depreciable Capital Assets, Net	438,028
Total Assets	11,761,668
Deferred Outflows of Resources:	
Pension	13,530,012
OPEB	2,713,751
Total Deferred Outflows of Resources	16,243,763
Current Liabilities:	
Accounts Payable	128,496
Accrued Wages and Benefits Payable	357,386
Intergovernmental Payable	3,375,790
Compensated Absences Payable	150,993
Total Current Liabilities	4,012,665
Non-Current Liabilites:	
Intergovernmental Payable	3,803,676
Compensated Absences Payable	137,216
Net Pension Liability	11,238,522
Net OPEB Liability	2,718,702
Total Non-Current Liabilities	17,898,116
Total Liabilities	21,910,781
Deferred Inflows of Resources:	
Pension	342,268
OPEB	298,832
Total Deferred Inflows of Resources	641,100
Net Position:	
Net Investment in Capital Assets	438,028
Unrestricted	5,015,522
Total Net Position	$5,453,550

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, 2018

Operating Revenues:	
Charges for Services	$14,719
Foundation	14,242,565
Tuition and Fees	1,202,258
Intergovernmental	124,458
Other Operating Revenues	93,864
Total Operating Revenues	15,677,864
Operating Expenses:	
Salaries	6,062,479
Fringe Benefits	1,228,654
Purchased Services	2,736,285
Materials and Supplies	1,834,796
Depreciation	237,178
Other Operating Expenses	61,143
Total Operating Expenses	12,160,535
Operating Income	3,517,329
Non-Operating Revenues:	
Grants	1,267,526
Interest Revenue	33,760
Total Non-Operating Revenues	1,301,286
Change in Net Position	4,818,615
Net Position at Beginning of Year (Restated - See Note 3)	634,935
Net Position at End of Year	$5,453,550

See Accompanying Notes to the Basic Financial Statements

TRECA Digital Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Foundation	$13,065,862
Cash Received from Tuition and Fees	1,100,299
Cash Received from Intergovernmental Revenues	122,362
Cash Received from Other Operating Revenues	201,264
Cash Payments for Salaries	(5,973,954)
Cash Payments for Fringe Benefits	(2,421,753)
Cash Payments for Goods and Services	(4,610,440)
Cash Payments for Other Operating Expenses	(61,852)
Net Cash Provided by Operating Activities	1,421,788
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants	1,681,350
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(15,175)
Cash Flows from Investing Activities:	
Cash Received from Interest	33,760
Net Increase in Cash and Cash Equivalents	3,121,723
Cash and Cash Equivalents at Beginning of Year	2,048,639
Cash and Cash Equivalents at End of Year	$5,170,362
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$3,517,329
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	237,178
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(16,524)
Decrease in Intergovernmental Receivable	19,869
Decrease in Accounts Payable	(54,618)
Increase in Accrued Wages and Benefits Payable	65,057
Decrease in Intergovenmental Payable	(1,169,452)
Increase in Compensated Absences Payable	33,329
Decrease in Net Pension Liability	(4,487,708)
Decrease in Deferred Outflows - Pension	3,821,529
Decrease in Deferred Inflows - Pension	(862,150)
Decrease in Net OPEB Liability	(260,248)
Decrease in Deferred Outflows - OPEB	659,182
Decrease in Deferred Inflows - OPEB	(80,985)
Net Cash Provided by Operating Activities	$1,421,788

See Accompanying Notes to the Basic Financial Statements

TRECA Digital Academy
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency
Assets:	
Cash and Cash Equivalents	$521
Current Liabilities:	
Undistributed Assets	$521

See Accompanying Notes to Basic Financial Statements

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 January 26, 2016, effective through fiscal year 2020. The Sponsor is responsible for evaluating the performance of TDA and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of TDA.

TDA operates under the direction of a five-member Board of Directors appointed by majority vote of active directors with approval from the Sponsor. The Board of Directors is responsible for carrying out provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admissions standards, and qualification of teachers. It is staffed by fifty-five classified employees, one hundred and one certified teaching personnel, and seven administrative employees who provide services to two-thousand one-hundred ninety-five students and other community members.

TDA participates in one insurance pool, the Ohio School Plan, which is presented in Note 12 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of TDA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the TDA's accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

TDA's basic financial statements consist of a statement of net position; a statement of revenues, expenses, and change in net position; and a statement of cash flows.

TDA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus

TDA is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of TDA are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how TDA finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. TDA's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which TDA receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which TDA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to TDA on a reimbursement basis.

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 8 and 9 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For TDA, deferred inflows of resources consists of pension and OPEB. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

E. Cash and Cash Equivalents

Cash held by TDA is reflected as "Cash and Cash Equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2018, TDA had no investments.

F. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their 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 - 5 years
Software	3 years
Vehicles	10 years

G. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. TDA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. TDA did not have any restricted net position at fiscal year end.

Note 2 - Summary of Significant Accounting Policies (continued)

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of TDA. For TDA, these revenues are 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.

I. Pension/Postemployment Benefits

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

J. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Net Position

For fiscal year 2018, TDA has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 85, "Omnibus 2017", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

For fiscal year 2018, TDA also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in TDA's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

Net Position June 30, 2017	$620,769
Deferred Outflows - Payments Subsequent to the Measurement Date	14,166
Restated Net Position June 30, 2017	$634,935

Note 3 - Change in Accounting Principles and Restatement of Net Position (continued)

Other than employer contributions subsequent to the measurement date, TDA made no restatement for deferred outflows/inflows of resources as the information needed to generate these restatements was not available.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). These changes were incorporated in TDA's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Deposits and Investments

At fiscal year end, the carrying amount of TDA's deposits was $5,170,883 and the bank balance was $5,408,585. Of this amount, $250,000 was covered by FDIC insurance and the remainder was collateralized with securities held by the pledging financial institution.

Note 5 - Receivables

Receivables at June 30, 2018, consisted of accounts (student fees and billings for user charged services) and intergovernmental receivables. Receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. All receivables, with the exception of amounts due to TDA from META, are expected to be collected within one year. The amount due from META is expected to be received as follows.

Year	Amount
2019	$371,624
2020	336,000
2021	36,000
2026	4,811,908
Total	5,555,532

A summary of the principal items of intergovernmental receivables follows:

	Amount
State of Ohio	$10,942
Federal Hocking Local School District	397
Franklin County Children's Services	170
Jefferson Township Local School District	2,800
Lorain K12 Digital Academy	71,897
Midview Local School District	570

(continued)

Note 5 - Receivables (continued)

	Amount
Patriot Preparatory Academy	$7,080
River Valley Local School District	900
Southern Local School District	85
Summit County Children's Services	85
Idea Part - B	70,248
Title I	127,537
Title II-A	272,064
Title IV-A	12,502
Miscellaneous Grants	1,216
META	5,555,532
Total Intergovernmental Receivables	$6,134,025

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	$53,980	$15,175	$0	$69,155
Software	600,000	0	0	600,000
Vehicles	170,410	0	0	170,410
Total Depreciable Capital Assets	824,390	15,175	0	839,565
Less Accumulated Depreciation for				
Furniture, Fixtures, and Equipment	(8,972)	(20,135)	0	(29,107)
Software	(100,003)	(200,001)	0	(300,004)
Vehicles	(55,384)	(17,042)	0	(72,426)
Total Accumulated Depreciation	(164,359)	(237,178)	0	(401,537)
Capital Assets, Net	$660,031	($222,003)	$0	$438,028

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 2018, TDA contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	$3,000,000
General Aggregate	5,000,000
Property	1,436,225
Vehicle Liability	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. TDA reduced its insurance for all liability insurance.

For the fiscal year 2018, the TDA participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability and Net OPEB Liability

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

The net pension/OPEB liability 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 calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

Note 8 - Defined Benefit Pension Plans (continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows.

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

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

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

Note 8 - Defined Benefit Pension Plans (continued)

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost of living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

TDA's contractually required contribution to SERS was $264,409 for fiscal year 2018. Of this amount, $700 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

TDA's contractually required contribution to STRS was $549,696 for fiscal year 2018. Of this amount, $42,040 is reported as an intergovernmental payable.

Note 8 - Defined Benefit Pension Plans (continued)

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

The net pension liability was measured as of June 30, 2017, 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 Prior Measurement Date	0.00000000%	0.00000000%	
Proportion of the Net Pension Liability Current Measurement Date	0.05493690%	0.03349229%	
Change in Proportionate Share	0.05493690%	0.03349229%	
Proportionate Share of the Net Pension Liability	$3,282,357	$7,956,165	$11,238,522
Pension Expense	$644,289	($1,358,513)	($714,224)

At June 30, 2018, 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	$141,261	$307,229	$448,490
Changes of Assumptions	169,733	1,740,101	1,909,834
Changes in Proportionate Share and Difference Between TDA Contributions and Proportionate Share of Contributions	2,472,539	7,885,044	10,357,583
TDA Contributions Subsequent to the Measurement Date	264,409	549,696	814,105
Total Deferred Outflows of Resources	$3,047,942	$10,482,070	$13,530,012
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$0	$64,124	$64,124
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	15,581	262,563	278,144
Total Deferred Inflows of Resources	$15,581	$326,687	$342,268

Note 8 - Defined Benefit Pension Plans (continued)

$814,105 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2019	$1,023,007	$2,329,345	$3,352,352
2020	1,091,258	2,686,521	3,777,779
2021	730,205	2,479,572	3,209,777
2022	(76,518)	2,110,249	2,033,731
Total	$2,767,952	$9,605,687	$12,373,639

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2017, are presented below.

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

<u>Note 8 - Defined Benefit Pension Plans</u> (continued)

Prior to 2017, an assumption of 3 percent was used for COLA and Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

Note 8 - Defined Benefit Pension Plans (continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
TDA's Proportionate Share of the Net Pension Liability	$4,555,060	$3,282,357	$2,216,211

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2017, actuarial valuation compared with July 1, 2016, are presented below.

	July 1, 2017	July 1, 2016
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

For the July 1, 2017, actuarial valuation, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

Note 8 - Defined Benefit Pension Plans (continued)

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 2, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience effective July 1, 2012.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Note 8 - Defined Benefit Pension Plans (continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
TDA's Proportionate Share of the Net Pension Liability	$11,404,892	$7,956,165	$5,051,130

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, 2018, all members of the Board of Directors have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9 - Postemployment Benefits

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

School Employees Retirement System (SERS)

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

Note 9 - Postemployment Benefits (continued)

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

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 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2018, TDA's surcharge obligation was $7,152.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. TDA's contractually required contribution to SERS was $16,945 for fiscal year 2018. Of this amount, $7,178 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

Note 9 - Postemployment Benefits (continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. TDA's proportion of the net OPEB liability 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.

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.00000000%	0.00000000%	
Proportion of the Net OPEB Liability Current Measurement Date	0.05261160%	0.03349229%	
Change in Proportionate Share	0.05261160%	0.03349229%	
Proportionate Share of the Net OPEB Liability	$1,411,957	$1,306,745	$2,718,702
OPEB Expense	$477,760	($142,866)	$334,894

At June 30, 2018, TDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$0	$75,433	$75,433
Changes in Proportionate Share and Difference Between TDA Contributions and Proportionate Share of Contributions	1,086,079	1,535,294	2,621,373
TDA Contributions Subsequent to the Measurement Date	16,945	0	16,945
Total Deferred Outflows of Resources	$1,103,024	$1,610,727	$2,713,751
Deferred Inflows of Resources			
Changes of Assumptions	$133,987	$105,263	$239,250
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	3,729	55,853	59,582
Total Deferred Inflows of Resources	$137,716	$161,116	$298,832

Note 9 - Postemployment Benefits (continued)

$16,945 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 fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2019	$344,029	$236,947	$580,976
2020	344,029	236,947	580,976
2021	261,238	236,947	498,185
2022	(933)	236,946	236,013
2023	0	250,910	250,910
2024	0	250,914	250,914
Total	$948,363	$1,449,611	$2,397,974

Actuarial Assumptions - SERS

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

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

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

Note 9 - Postemployment Benefits (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below.

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.5 to 5 percent
Pre-Medicare	7.5 to 5 percent

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

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

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

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

Note 9 - Postemployment Benefits (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of TDA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) or one percentage point higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4 percent) and one percentage point higher (8.5 percent decreasing to 6 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
TDA's Proportionate Share of the Net OPEB Liability	$1,705,118	$1,411,957	$1,179,699

	1% Decrease (6.5% Decreasing to 4%)	Current Trend Rate (7.53% Decreasing to 5%)	1% Increase (8.5% Decreasing to 6%)
TDA's Proportionate Share of the Net OPEB Liability	$1,145,697	$1,411,957	$1,764,356

Note 9 - Postemployment Benefits (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 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.

Also since the prior measurement date, 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 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B reimbursements was extended to January 2020.

Note 9 - Postemployment Benefits (continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of TDA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.16%)	1% Increase (5.13%)
TDA's Proportionate Share of the Net OPEB Liability	$1,754,285	$1,306,745	$953,043

	1% Decrease	Current Trend Rate	1% Increase
TDA's Proportionate Share of the Net OPEB Liability	$907,871	$1,306,745	$1,831,711

Note 10 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 11 - Long-Term Obligations

Changes in TDA's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
FTE Adjustments					
FY16 FTE Adjustment	$5,011,900	$0	$835,317	$4,176,583	$1,002,380
FY17 FTE Adjustment	3,289,922	0	1,495,419	1,794,503	1,794,503
FY18 FTE Adjustment	0	1,154,033	0	1,154,033	524,560
Total FTE Adjustments	8,301,822	1,154,033	2,330,736	7,125,119	3,321,443
Net Pension Liability					
SERS	0	3,282,357	0	3,282,357	0
STRS	0	7,956,165	0	7,956,165	0
Total Net Pension Liability	0	11,238,522	0	11,238,522	0
Net OPEB Liability					
SERS	0	1,411,957	0	1,411,957	0
STRS	0	1,306,745	0	1,306,745	0
Total Net OPEB Liability	0	2,718,702	0	2,718,702	0
Compensated Absences Payable	254,880	33,329	0	288,209	150,993
Total Long-Term Obligations	$8,556,702	$15,144,586	$2,330,736	$21,370,552	$3,472,436

Note 11 - Long-Term Obligations (continued)

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

	FTE Adjustment		
Fiscal Year Ending June 30,	FTE16	FTE17	FTE18
2019	$1,002,380	$1,794,503	$524,560
2020	1,002,380	0	629,473
2021	1,002,380	0	0
2022	1,002,380	0	0
2023	167,063	0	0
Total	$4,176,583	$1,794,503	$1,154,033

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

Note 12 - Insurance Pool

TDA participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated 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. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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, 2018.

Note 13 - Contingencies (continued)

B. Litigation

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

C. Full Time Equivalency

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

Under Ohio Revised Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in additional adjustments to the enrollment information as well as claw backs of foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on TDA for fiscal year 2018. As a result of the fiscal year 2018 FTE Reviews, TDA owes ODE an additional $1,154,033. See Note 11.

D. Receivable

For fiscal year 2018, TDA recorded a receivable, in the amount of $71,897, to be received from Lorain K12 Digital Academy. Lorain K12 Digital Academy is currently in the process of closing. As a result, their debts have been turned over to the court. As of the date of this report, management is unable to determine the collectability of this receivable.

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

	2018
TDA's Proportion of the Net Pension Liability	0.05493690%
TDA's Proportionate Share of the Net Pension Liability	$3,282,357
TDA's Employee Payroll	$927,743
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	353.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%

(1) Information prior to 2018 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	2018
TDA's Proportion of the Net Pension Liability	0.03349229%
TDA's Proportionate Share of the Net Pension Liability	$7,956,165
TDA's Employee Payroll	$2,078,636
TDA's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	382.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%

(1) Information prior to 2018 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	2018
TDA's Proportion of the Net OPEB Liability	0.05261160%
TDA's Proportionate Share of the Net OPEB Liability	$1,411,957
TDA's Employee Payroll	$927,743
TDA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	152.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%

(1) Information prior to 2018 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	2018
TDA's Proportion of the Net OPEB Liability	0.03349229%
TDA's Proportionate Share of the Net OPEB Liability	$1,306,745
TDA's Employee Payroll	$2,078,636
TDA's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	62.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%

(1) Information prior to 2018 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	2018	2017
Net Pension Liability		
Contractually Required Contribution	$264,409	$129,884
Contributions in Relation to the Contractually Required Contribution	(264,409)	(129,884)
Contribution Deficiency (Excess)	$0	$0
TDA Employee Payroll (1)	$1,958,585	$927,743
Pension Contributions as a Percentage of Employee Payroll	13.50%	14.00%
Net OPEB Liability		
Contractually Required Contribution (2)	$16,945	$14,166
Contributions in Relation to the Contractually Required Contribution	(16,945)	(14,166)
Contribution Deficiency (Excess)	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.87%	1.53%
Total Contributions as a Percentage of Employee Payroll (2)	14.37%	15.53%

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

See Accompanying Notes to the Required Supplementary Information

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

	2018	2017
Net Pension Liability		
Contractually Required Contribution	$549,696	$291,009
Contributions in Relation to the Contractually Required Contribution	(549,696)	(291,009)
Contribution Deficiency (Excess)	$0	$0
TDA Employee Payroll	$3,926,400	$2,078,636
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%
Net OPEB Liability		
Contractually Required Contribution	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0
Contribution Deficiency (Excess)	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

Net Pension Liability

Changes in Assumptions - SERS

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

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

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

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

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 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 year 2017 and prior are presented below.

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

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

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

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

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

Also 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 2019.

TRECA DIGITAL ACADEMY
MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF EDUCATION ***Passed Through Ohio Department of Education***		
Title I Grants to Local Educational Agencies	84.010	$ 697,699
Special Education Cluster		
Special Education-Grants to States	84.027	532,552
Supporting Effective Instruction State Grant	84.367	135,982
TOTAL U.S. DEPARTMENT OF EDUCATION		**1,366,233**
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ 1,366,233**

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, 2018

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, 2018. 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.

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and remaining fund information of TRECA Digital Academy, Marion County, Ohio, (TDA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise TDA's basic financial statements and have issued our report thereon dated March 13, 2019, wherein we noted TDA adopted Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 13, 2019

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
100 Executive Drive
Marion, Ohio 43302

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited TRECA Digital Academy's, Marion County, Ohio, (TDA), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect TRECA Digital Academy's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies TDA's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on TDA's compliance for TDA's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about TDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, TRECA Digital Academy complied, in all material respects with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2018-002. Our opinion on the major federal program is not modified with respect to this matter.

TDA's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit TDA's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

March 13, 2019

TRECA DIGITAL ACADEMY
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(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 Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA #84.010 – Title I Grants to Local Educational Agencies
(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?**	No

TRECA DIGITAL ACADEMY
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018
(Continued)

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

FINDING NUMBER 2018-001

Noncompliance / Material Weakness
Controls for Identifying and Removing Duplicative Time

Ohio Rev. Code § 3314.08(C) provides the formula upon which community schools are funded on a fulltime equivalency basis. In addition, §3314.08(H) requires the department of education to adjust the amounts subtracted and paid under division (C) of this section to reflect any enrollment of students in community schools for less than the equivalent of a full school year. The processes for calculating fulltime equivalency and any enrollment for less than the equivalent of a full school year used by the Ohio Department of Education (ODE) under Ohio Rev. Code § 3314.08(H) are reflected in its 2018 FTE Review Manual available on its website. In order for the school to receive accurate funding under Ohio Rev. Code § 3314.08(C), the school should follow the procedures outlined in this 2018 FTE Review Manual.

Ohio Rev. Code § 3314.08(H)(3) states, in part, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours.

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

Furthermore, **Ohio Rev. Code § 3314.27** states each internet- or computer-based community school shall keep an accurate record of each individual student's participation in learning opportunities each day. The record shall be kept in such a manner that the information contained within it easily can be submitted to the department of education, upon request by the department or the auditor of state.

Per the Fiscal Year 2018 FTE Review Manual, in order to avoid significant adjustments at the end of the year or during FTE Review, schools should estimate the student's "percent of time attended" upon enrollment, and document and follow a procedure to update the percent of time attended periodically. Eschools only receive credit for documented learning opportunities; missed days (both excused and unexcused absences) or assignments do not count as funded hours. A final adjustment will be made at the end of the school year to precisely reflect the student's documented hours of participation in learning opportunities. Ohio Department of Education (ODE) will continue to adjust the FTE used for the funding formula as the school updates its information throughout the year.

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-001 (Continued)

Noncompliance / Material Weakness
Controls for Identifying and Removing Duplicative Time (Continued)

The Fiscal Year 2018 FTE Review Manual states that "eSchools may have systems that track learning opportunity participation that take place within the school's online system. If an eSchool's online system has this capability, then the school must produce Excel spreadsheets showing the daily/weekly/monthly accounting of learning opportunities and the final total of all online learning opportunities that the student participated in and were tracked by the eSchool's system."

TRECA Digital Academy (TDA) utilizes a Learning Management System (LMS), which captures the majority of student's on-line time, as well as student's documentation of any non-computer time to support the percent of time used to adjust the FTE reported in EMIS. TDA has established a 'forced time out" function within the LMS that will force a student to log-out after 180 minutes of inactivity.
TDA received a modified FTE review from ODE for fiscal year 2018; in which the following issues were noted:

- The percent of time based on the reported documented learning opportunities for some students do not match the percent of time reported in EMIS.
- The school has to add all time across all different learning opportunities (online, nonclassroom non-computer based) daily to ensure that none of the time overlap each other and 10 hour a day cap in not exceeded. The school uses Bright Space software that has a 3 hour forced logoff.

TDA was required to make an adjustment in July 2018 to their FTE, which resulted in $1,154,033 being due back to ODE. This amount is properly reflected in the financial statements.

If TDA does not properly reduce students' FTE for the amount of time they are actively participating in educational activities, TDA may receive more funding than TDA is entitled to under State law.

We recommend TDA develop policies and implement procedures in order to identify, compile, and properly reduce durational data that is duplicative, non-educational, or excessively idle. Proper policies and procedures may help ensure that TDA reports the correct number of FTEs and that the State provides the correct amount of funding.

Officials' Response
See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2018-002		
CFDA Title and Number	Title I Grants to Local Educational Agencies (#84.010) IDEA-B Special Education-Grants to States (#84.027) Supporting Effective Instruction State Grant (#84.367)		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Other		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	**Finding Number (if repeat)**	2017-004

Noncompliance

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for 2 C.F.R. Part 200, which sets forth standards for the audit of non-Federal entities expending Federal awards. Furthermore, 2 C.F.R. Part 200.510(b) provides that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include the total amount provided to subrecipients from each Federal program.
5. For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2018-002 (Continued)

The original schedule of expenditures of federal awards prepared by TDA for fiscal year 2018 required the following modifications:

Grant	Expenditures Originally Reported	Expenditures after Adjustments
Title I Grants to Local Educational Agencies (#84.010)	$522,678	$697,699
IDEA-B Special Education-Grants to States (#84.027)	$455,327	$532,552
Supporting Effective Instruction State Grant (#84.367)	$132,319	$135,982

Failure to identify federal awards and accurately prepare a schedule of expenditures of federal awards may result in noncompliance with the 2 C.F.R. Part 200 and may compromise TDA's ability to obtain federal awards in the future.

We recommend TDA implement procedures to track and readily identify the disbursement of all federal awards. TDA should use this information to ensure accurate preparation of the schedule of expenditures of federal awards at year end.

Officials' Response
See Corrective Action Plan

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding for Recovery-Resolved	Corrective Action Taken	META Solutions has adhered to the repayment schedule approved by the TRECA Digital Academy Board of Directors.
2017-002	Controls for Identifying and Removing Duplicative Time	Not Corrected-Repeated as Finding 2018-001	As a result of fiscal years 2016 and 2017 FTE Reviews with the Ohio Department of Education, procedures were reviewed to examine how to more effectively monitor both computer-based and non-computer-based learning opportunities on a regular basis. This additional documentation, in conjunction with existing computer-based tracking, will lead to more comprehensive analysis and collection of student learning time. As a result of fiscal years 2016 and 2017 FTE Reviews with the Ohio Department of Education, procedures were reviewed to examine how to more effectively monitor both computer-based and non-computer-based learning opportunities on a regular basis. This additional documentation, in conjunction with existing computer-based tracking, will lead to more comprehensive analysis and collection of student learning time. As discussed in finding 2016-002 and 2017-002, the school implemented new software on all assigned school computers to monitor learning opportunities in far greater detail. The school has taken corrective actions to reduce the amount of duplicative time reported. Such actions include working with the Learning Management System vendor to reduce idle time and prohibit simultaneous sessions. In addition, the school has allocated resources to pull the data weekly (rather than monthly) to reduce duplicative aggregate time reporting. The school will continue to more clearly outline policies and procedures in regards to time documentation. Further steps will be taken to ensure that the most accurate and robust data is produced for identifying FTEs in compliance with the Ohio Department of Education requirements.

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2017-003	Financial Reporting	Partially Corrected-Repeated in Management Letter	TRECA Digital Academy's clawback deductions began September 2017. During this timeframe, the financial statements were in the beginning stages for the fiscal year ending June 30, 2017. Treatment of the clawback was a learning process for all involved, as it was a unique event in the history of TRECA Digital Academy's existence. At the time the financial statements were prepared, fall 2017, guidance was released regarding recovering amounts owed from vendors. After consulting with legal counsel about the appropriate interpretation and implementation, TRECA Digital Academy began to follow the new procedures. META Solutions was invoiced $5,555,532 on October 18, 2017. There was uncertainty that META Solutions would, in fact, pay. Thus at the time, it was unclear that the $5,555,532 would be recognized and received. Over the following months, TRECA Digital Academy continued to invoice META Solutions and engaged META in conversations regarding the collection of the invoiced amount. Not until spring 2018, did TRECA Digital Academy get the impression that this amount could possibly be recovered from META Solutions. During this time, META Solutions began discussions with TRECA Digital Academy about a settlement agreement in response to the continued invoices. On August 8, 2018, a settlement with META Solutions was reached.
2017-004	Schedule of Expenditures of Federal Awards	Not Corrected-Repeated as Finding 2018-002	The school separated from its Operator on January 1, 2017. The Operator maintained fiscal operations of the school from the school's inception through June 30, 2017. Due to the separation of entities, expenditure data was pulled together from three accounting software systems, which were maintained by contracted treasurer services. The school now has one set of books, which accounts solely for the operation of TRECA Digital Academy.

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TRECA DIGITAL ACADEMY
MARION COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The School will more clearly outline policies and procedures in regards to time documentation. We will continue to work with the Learning Management System provider to ensure that the most accurate and robust data is produced for identifying FTEs in compliance with the Ohio Department of Education requirements.	June 30, 2019	Adam Clark, Executive Director
2018-002	The Treasurer will ensure that all federal award expenditures, including prior year grant liquidation period expenditures, are included in year-end reporting.	June 30, 2019	Jessica Wake, Treasurer

OHIO AUDITOR OF STATE
KEITH FABER

TRECA DIGITAL ACADEMY

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2019