

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2020**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Directors  
Kids Care Elementary School  
3400 Kohr Blvd.  
Columbus, Ohio 43224

We have reviewed the *Independent Auditor's Report* of Kids Care Elementary School, Franklin County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 20, 2021

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**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board  
Kids Care Elementary School  
Columbus, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Kids Care Elementary School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kids Care Elementary School as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 17 to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. Also, as described in Note 18 to the basic financial statements, the School is experiencing financial difficulties and management has a plan in regard to this matter. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 18, 2020

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## KIDS CARE ELEMENTARY SCHOOL

Franklin County

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited)

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The management's discussion and analysis of the Kids Care Elementary School (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

### **Financial Highlights**

Key financial highlights for the School are as follows:

- Total net position of the School decreased \$15,811 during the fiscal year. Ending net position of the School was negative \$174,212 compared with negative \$158,401 at June 30, 2019.
- Total assets increased \$207,854 from the prior fiscal year and total liabilities increased by \$211,823 during this same 12-month period.
- The School's operating loss for fiscal year 2020 was \$343,197.
- Total revenues increased by \$558,835 while expenses increased \$605,143 during the same period.

### **Using this Annual Financial Report**

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and Notes to the basic financial statements. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

#### *Statement of Net Position*

The Statement of Net Position answers the question, "How did we do financially during the fiscal year?" This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**KIDS CARE ELEMENTARY SCHOOL**

Franklin County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

(Unaudited)

This statement reports the School's net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

**Financial Analysis**

Table 1 provides a summary of the School's net position at June 30, 2020.

	<u>2020</u>	<u>2019</u>
Assets:		
Current and Other Assets	\$ 387,709	\$ 233,818
Capital Assets, Net	28,577	16,302
Net OPEB Asset	41,688	-
Total Assets	<u>457,974</u>	<u>250,120</u>
Total Deferred Outflows of Resources	<u>582,730</u>	<u>588,589</u>
Liabilities		
Current Liabilities	202,221	206,859
Other Long-Term Liabilities	242,734	166,667
Net Pension Liability	641,801	509,995
Net OPEB Liability	36,847	28,259
Total Liabilities	<u>1,123,603</u>	<u>911,780</u>
Total Deferred Inflows of Resources	<u>91,313</u>	<u>85,330</u>
Net Position:		
Investment in Capital Assets	28,577	16,302
Restricted	35,440	5,637
Unrestricted	<u>(238,229)</u>	<u>(180,340)</u>
Total Net Position	<u>\$ (174,212)</u>	<u>\$ (158,401)</u>

Current Assets and Other Long-Term Liabilities both increased significantly in comparison with the prior fiscal year-end. These increases are primarily the result of the School receiving a Paycheck Protection Program loan to assist with operations during the COVID-19 pandemic.

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources related to pensions/OPEB all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms and changes in actuarial assumptions.

**KIDS CARE ELEMENTARY SCHOOL**

Franklin County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

(Unaudited)

Table 2 provides a summary of the School's change in net position for fiscal year ended June 30, 2020 compared to the prior year.

**Table 2**  
**Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Foundation Revenues	\$ 1,092,762	\$ 731,001
Other Unrestricted Grants	45,311	24,523
Economic Disadvantaged	128,791	87,828
Total Operating Revenue	<u>1,266,864</u>	<u>843,352</u>
Operating Expenses:		
Salaries	588,474	357,734
Fringe Benefits	335,184	147,566
Purchased Services	632,314	447,025
Materials and Supplies	27,382	31,393
Depreciation	5,918	3,121
Other	20,789	18,079
Total Operating Expenses	<u>1,610,061</u>	<u>1,004,918</u>
Non-Operating Revenues:		
Federal Subsidies	288,267	191,223
State Subsidies	25,057	840
Other Revenue	14,062	-
Total Non-Operating Revenues	<u>327,386</u>	<u>192,063</u>
Change in Net Position	(15,811)	30,497
Net Position, Beginning of Year	<u>(158,401)</u>	<u>(188,898)</u>
Net Position, End of the Year	<u>\$ (174,212)</u>	<u>\$ (158,401)</u>

Foundation Revenue and Federal Subsidies both increased in comparison with the prior fiscal year. These increases are primarily the result of an increase in enrollment from 103 students in fiscal year 2019 to 158 students in fiscal year 2020.

Total Expenses increased in comparison with the prior fiscal year. This increase is primarily the result of an increase in salaries/benefits and purchased services relating to growth in third year of operations.

# **KIDS CARE ELEMENTARY SCHOOL**

Franklin County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

(Unaudited)

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## **Capital Assets**

At fiscal year-end, the School had \$28,577 invested in capital assets, an increase of \$12,275 in comparison with the prior fiscal year-end. This increase represents the amount in which current year capital acquisitions of \$18,193 exceeded current year depreciation of \$5,918. See Note 5 of the basic financial statements for additional details.

## **Debt**

At fiscal year-end, the School's line of credit balance was \$166,667, a decrease of \$33,333 in comparison with the prior fiscal year-end due to principal payments. The School also received \$109,400 in loan proceeds during the year. For more information on debt, see Note 6 to the basic financial statements.

## **Current Financial Issues**

The future financial stability of the School is not without challenges. There will continue to be challenges outside of the School's control (i.e. – the economy, the state budget). Since the primary source of funding is the state foundation program, an economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

## **Contacting the School's Financial Management**

This financial report is designed to provide a general overview of the finances of the Kids Care Elementary School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Kids Care Elementary School, 3400 Kohr Blvd, Columbus, OH 43224.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2020

<b>Assets:</b>	
Current Assets	
Cash and Cash Equivalents	\$ 380,253
Intergovernmental Receivable	3,680
Accounts Receivable	497
Prepaid Items	3,279
Total Current Assets	<u>387,709</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	28,577
Net OPEB Asset	41,688
Total Noncurrent Assets	<u>70,265</u>
Total Assets	<u>457,974</u>
<b>Deferred Outflows of Resources:</b>	
Pension	480,841
OPEB	101,889
Total Deferred Outflows of Resources	<u>582,730</u>
<b>Liabilities:</b>	
Current Liabilities	
Accounts Payable	99,067
Accrued Wages Payable	58,142
Intergovernmental Payable	10,694
Unearned Revenue	985
Line of Credit Payable	33,333
Total Current Liabilities	<u>202,221</u>
Long-Term Liabilities:	
Line of Credit Payable	133,334
Loan Payable	109,400
Net Pension Liability	641,801
Net OPEB Liability	36,847
Total Noncurrent Liabilities	<u>921,382</u>
Total Liabilities	<u>1,123,603</u>
<b>Deferred Inflows of Resources:</b>	
Pension	30,707
OPEB	60,606
Total Deferred Inflows of Resources	<u>91,313</u>
<b>Net Position:</b>	
Investment in Capital Assets	28,577
Restricted	35,440
Unrestricted	(238,229)
Total Net Position	<u>\$ (174,212)</u>

See accompanying notes to the basic financial statements.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Operating Revenues:</b>	
Foundation Payments	\$ 1,092,762
Other Unrestricted Grants	45,311
Economic Disadvantaged	128,791
Total Operating Revenues	<u>1,266,864</u>
<b>Operating Expenses:</b>	
Salaries	588,474
Fringe Benefits	335,184
Purchased Services	632,314
Materials and Supplies	27,382
Depreciation	5,918
Other	20,789
Total Operating Expenses	<u>1,610,061</u>
Operating Loss	<u>(343,197)</u>
<b>Non-Operating Revenues:</b>	
Federal Subsidies	288,267
State Subsidies	25,057
Other Revenue	14,062
Total Non-Operating Revenues	<u>327,386</u>
Change in Net Position	(15,811)
Net Position, Beginning of Year	(158,401)
Net Position, End of Year	<u><u>\$ (174,212)</u></u>

See accompanying notes to the basic financial statements.



**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Cash Received from Foundation Payments	\$ 1,095,127
Cash Received from Other Unrestricted Grants	45,311
Cash Received from Economic Disadvantaged Funding	128,791
Cash Payments for Personal Services	(775,764)
Cash Payments for Purchased Services	(636,006)
Cash Payments for Supplies and Materials	(37,437)
Cash Payments for Miscellaneous	(13,763)
<b>Net Cash Used for Operating Activities</b>	<u>(193,741)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal and State Subsidies	344,626
Cash Received from Loan	109,400
Cash Payments on Line of Credit	(33,333)
Cash Received from Other Revenue	14,062
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>434,755</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(18,193)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(18,193)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	222,821
Cash and Cash Equivalents at Beginning of Year	157,432
Cash and Cash Equivalents at End of Year	<u>\$ 380,253</u>

See accompanying notes to the basic financial statements.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Operating Loss	\$ (343,197)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	5,918
Changes in Assets, Deferred Outflows of Resources, and Liabilities:	
Accounts Receivable	(454)
Prepaid Items	5,457
Intergovernmental Receivable	542
Accounts Payable	(13,000)
Intergovernmental Payable	(1,488)
Accrued Wages	8,865
Net Pension Liability and Related Deferrals	134,132
Net OPEB Asset/Liability and Related Deferrals	9,484
<b>Net Cash Used for Operating Activities</b>	<b>\$ (193,741)</b>

See accompanying notes to the basic financial statements.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Kids Care Elementary School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The School, which is part of the State’s education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School qualifies as an exempt organization under Section 501c (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 the school’s tax exempt status.

St. Aloysius is the School’s sponsor. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The School entered into a service agreement with Mangen12, LLC to provide certain financial and accounting services, including performing all duties required of the Treasurer of the School. See Note 13 and Note 14 for more information.

The School operates under the direction of a seven-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated standards, admission standards, and qualifications of teachers. The Board of Directors controls the School’s one instructional/support facility by 1 non-certified and 9 certificated full time teaching personnel who provide services to 158 students.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School’s accounting policies are described below.

**A. Basis of Presentation**

The School’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School’s financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each part gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Each year, the School Board of Directors, with the assistance of the School’s designated fiscal officer, is required to adopt an annual budget by the thirty-first day of October using the format and guidelines prescribed by the Ohio Department of Education (ODE).

**E. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of five thousand dollars. The School does not possess 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.

All reported capital assets except land 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:

Land Improvements	10 years
Building and Improvements	25 years
Furniture, Fixtures, and Equipment	3-5 years
Vehicles	5-7 years

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds.

**G. Prepaid Items**

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

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. For the School, deferred outflows of resources are reported on the statement of net position for pensions and other postemployment benefits (OPEB). These deferred outflows of resources related to pensions and OPEB are explained in Note 9 and Note 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. These deferred inflows of resources related to pensions and OPEB are explained in Note 9 and Note 10.

**I. Accrued Liabilities Payable**

The School has recognized certain liabilities on its statement of net position relating to expenses, which are due but unpaid as of fiscal year-end, including:

Accounts Payable – payments due for services or goods that were rendered or received during fiscal year 2020.

Accrued Wages Payable – salary payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2020 contract.

Intergovernmental Payable – payments made after year-end for the Schools' share of retirement contributions and Medicare associated with services rendered during the fiscal year.

**J. Compensated Absences**

Vacation and sick leave benefits are not carried forward to future fiscal years. The School does not pay sick leave benefits upon termination or retirement.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position is available.

**L. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation and related payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**M. 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.

**N. Pensions/Other Postemployment Benefits (OPEB)**

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

**NOTE 3 – DEPOSITS**

At June 30, 2020, the carrying amount of the School's deposits was \$380,253 and the bank balance was \$400,552. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2020, consisted of intergovernmental receivables arising from pension system overpayments, foundation underpayments, and grants to be reimbursed. All receivables are considered collectible in full.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Buildings and Improvement	\$ 4,670	\$ -	\$ -	\$ 4,670
Furniture, Fixtures, and Equipment	15,825	18,193	-	34,018
Total Depreciable Capital Assets	<u>20,495</u>	<u>18,193</u>	<u>-</u>	<u>38,688</u>
Less Accumulated Depreciation:				
Buildings and Improvement	(1,401)	(934)	-	(2,335)
Furniture, Fixtures, and Equipment	(2,792)	(4,984)	-	(7,776)
Total Accumulated Depreciation	<u>(4,193)</u>	<u>(5,918)</u>	<u>-</u>	<u>(10,111)</u>
Depreciable Capital Assets, Net	<u>\$ 16,302</u>	<u>\$ 12,275</u>	<u>\$ -</u>	<u>\$ 28,577</u>

**NOTE 6 – LONG TERM OBLIGATIONS**

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Mangen Family Foundation	\$ 200,000	\$ -	\$ (33,333)	\$ 166,667	\$ 33,333
PPP Loan	-	109,400	-	109,400	-
Total Loans	<u>200,000</u>	<u>109,400</u>	<u>(33,333)</u>	<u>276,067</u>	<u>33,333</u>
Net Pension Liability	509,995	131,806	-	641,801	-
Net OPEB Liability	28,259	8,588	-	36,847	-
Total Long-term Liabilities	<u>\$ 738,254</u>	<u>\$ 249,794</u>	<u>\$ (33,333)</u>	<u>\$ 954,715</u>	<u>\$ 33,333</u>

The School received a line of credit for \$100,000 from the Mangen Family Foundation in both 2018 and 2019. The loan carries an interest rate of zero percent and is payable on demand.

In fiscal year 2020, the School received a forgivable loan pursuant to the Paycheck Protection Program established by the CARES Act, and the School expects the loan will be forgiven in the subsequent reporting period based on compliance with program requirements. In accordance with GASB Technical Bulletin 2020-01, the School will continue to report the loan as a liability until it is legally released from the debt.

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**NOTE 6 – LONG TERM OBLIGATIONS (Continued)**

Debt-service-to-maturity requirements to retire the Mangen Family Foundation note are as follows:

June 30	Principal
2021	\$ 33,333
2022	33,333
2023	33,333
2024	33,333
2025	33,335
Total	\$ 166,667

**NOTE 7 – OPERATING LEASE**

The School has entered into a space and cost sharing agreement with NCBC Human Services Corporation for school facilities located at 3360-3400 Kohr Boulevard in Columbus, Ohio. For fiscal year 2020, the agreement contained required payments of \$5,500 per month. Cost sharing payments to NCBC Human Services Corporation during the fiscal year totaled \$66,000.

**NOTE 8 – RISK MANAGEMENT**

**A. Property and Liability Insurance**

The School 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 2020, the School contracted with Argonaut Insurance Company for commercial property liability, employee dishonesty liability, school leader’s legal liability, cyber liability, general umbrella liability, and general liability.

Coverages are as follows:

Personal Injury	\$ 1,000,000
Damage to Rented Premises	500,000
Excess Liability	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

Settlement amounts did not exceed coverage amounts in the three prior years. There also have been no significant reductions in coverage compared to prior year.

**B. Worker’s Compensation**

The School pays the State Worker’s Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor that is calculated by the State.



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**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

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

Pensions and 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable*.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Plan Description – School non-teaching employees participate in SERS, a statewide, 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. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School’s contractually required contribution to SERS was \$11,276 for fiscal year 2020. Of this amount, \$181 is reported as an intergovernmental payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Plan Description – School licensed teachers and other 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 stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School’s contractually required contribution to STRS was \$71,292 for fiscal year 2020. Of this amount, \$7,502 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School's proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00142480%	0.00251670%	
Prior Measurement Date	0.00100430%	0.00205786%	
Change in Proportionate Share	0.00042050%	0.00045884%	
Proportionate Share of the Net			
Pension Liability	\$ 85,248	\$ 556,553	\$ 641,801
Pension Expense	\$ 44,041	\$ 172,659	\$ 216,700

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 2,163	\$ 4,532	\$ 6,695
Changes of Assumptions	0	65,378	65,378
Changes in Proportion and Differences between School Contributions and Proportionate Share of Contributions	25,140	301,060	326,200
School Contributions Subsequent to the Measurement Date	11,276	71,292	82,568
<b>Total Deferred Outflows of Resources</b>	<b>\$ 38,579</b>	<b>\$ 442,262</b>	<b>\$ 480,841</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 0	\$ 2,408	\$ 2,408
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,096	27,203	28,299
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,096</b>	<b>\$ 29,611</b>	<b>\$ 30,707</b>

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(Continued)

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

\$82,568 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 23,042	\$ 128,737	\$ 151,779
2022	2,620	100,987	103,607
2023	(74)	90,541	90,467
2024	619	21,094	21,713
	\$ 26,207	\$ 341,359	\$ 367,566

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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. Future benefits for all current plan members were projected through 2035.

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

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 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 investments has been determined by 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 rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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 investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School'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 School’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 119,463	\$ 85,248	\$ 56,555

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.



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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Asset Class	Target Allocation*	Long Term Expected Real 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
Total	100.00 %	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. 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, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School'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 assumption:

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net Pension Liability	\$ 813,341	\$ 556,553	\$ 339,170

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

*Social Security System*

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2020, no members of the Board of Education have elected Social Security. The School's liability is 6.2 percent of wages paid.

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

See Note 9 for a description of the net OPEB liability (asset).

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

Health Care Plan Description - The School contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 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 2020, the School's surcharge obligation was \$129, which is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the 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 post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability (asset) was based on the School's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.00146500%	0.00251700%	
Prior Measurement Date	0.00101900%	0.00205800%	
Change in Proportionate Share	<u>0.00044600%</u>	<u>0.00045900%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 36,847	\$ (41,688)	
OPEB Expense	\$ 7,933	\$ 1,680	\$ 9,613

At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 540	\$ 3,779	\$ 4,319
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	89	0	89
Changes of Assumptions	2,691	876	3,567
Changes in Proportion and Differences between			
School Contributions and Proportionate			
Share of Contributions	31,859	61,926	93,785
School Contributions Subsequent to the			
Measurement Date	129	0	129
<b>Total Deferred Outflows of Resources</b>	<u>\$ 35,308</u>	<u>\$ 66,581</u>	<u>\$ 101,889</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 8,094	\$ 2,120	\$ 10,214
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	0	2,620	2,620
Changes of Assumptions	2,064	45,708	47,772
<b>Total Deferred Inflows of Resources</b>	<u>\$ 10,158</u>	<u>\$ 50,448</u>	<u>\$ 60,606</u>

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

\$129 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/(asset) in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 4,613	\$ 2,355	\$ 6,968
2022	5,640	2,353	7,993
2023	5,667	3,403	9,070
2024	5,662	3,769	9,431
2025	2,929	3,999	6,928
Thereafter	510	254	764
	\$ 25,021	\$ 16,133	\$ 41,154

***Actuarial Assumptions - SERS***

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

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

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.

**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. 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 (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 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 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. 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.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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 discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50% of contributions from the basic pension 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 ended June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (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.

**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 44,719	\$ 36,847	\$ 30,578
		Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability	\$ 29,518	\$ 36,847	\$ 46,559

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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



**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

*Sensitivity of the School’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate* The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (35,572)	\$ (41,688)	\$ (46,829)
	1% Decrease	Current Trend Rate	1% Increase
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (47,272)	\$ (41,688)	\$ (34,848)

**NOTE 11 – EMPLOYEE BENEFITS**

*Insurance Benefits* - The School has purchased insurance from Medical Mutual Insurance Company to provide employee medical, dental, life, and vision.

**NOTE 12 – PURCHASED SERVICES**

During the fiscal year ended June 30, 2020, purchased service expenses for services rendered by various vendors were as follows:

Management Services	\$ 219,850
Other Professional and Technical Services	175,305
Rent	72,185
Instructional Services	1,410
Health Services	32,538
Data Processing	15,376
Utilities	22,200
Food Contracted Services	77,862
Other Purchased Services	15,588
Total	\$ 632,314

**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 13 – CONTRACTED FISCAL SERVICES**

The School is a party to a fiscal services agreement with Mangen12 LLC (M12), which is an education finance consulting company. The Agreement may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M12 will perform the following services:

1. Financial Management Services
2. Treasurer/Accounting Services
3. CCIP Administration

The School made \$109,579 in payments for services during fiscal year 2020.

**NOTE 14 – SPONSORSHIP AND MANAGEMENT AGREEMENTS**

Commencing July 1, 2017, the School was approved for operation under contract with the St. Aloysius Orphanage (the “Sponsor”) for a period of five years. The terms of the contract were negotiated. Sponsorship fees are calculated as 3.0% of the foundation payments received by the School, from the State of Ohio. The total amount due from the School for fiscal year 2020 was \$36,709, all of which has been paid as of June 30, 2020. Sponsorship fees are recorded as professional and technical services within the purchased services expense on the Statement of Revenues, Expenses and Changes in Net Position.

The School entered into an agreement with Miniya Academies (Miniya) to provide academic and business services beginning July 1, 2017 for an initial term of three years. Management fees are calculated as 12.5% of the fiscal year 2020 funds received by the School. The total amount due from the School for the fiscal year ended June 30, 2020 was \$205,680. \$38,010 was also recorded as payable as of June 30, 2020. Management fees are recorded as professional and technical services within the purchased services expense on the Statement of Revenues, Expenses, and Changes in Net Position.

**NOTE 15 - CONTINGENCIES**

**a. Grants**

The School 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 of the General Fund or other applicable funds.

The effect of any such disallowed claims on the overall financial position of the School at June 30, 2020, if applicable, cannot be determined at this time. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at fiscal year-end.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 15 – CONTINGENCIES (Continued)**

**b. Foundation Funding**

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 Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment 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 the School for fiscal year 2020 and determined the School was overpaid by \$1,027. This amount is reported as intergovernmental payable on the statement of net position.

As of the date of this report, additional ODE adjustments for fiscal year 2020 have been finalized and the amount material to the financial statements is reported as an intergovernmental receivable on the financial statements.

In addition, the School's contract with their Sponsor and Management Company require payments based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2020 have been completed. The impact on the fiscal year 2020 financial statements, related to the additional reconciliation necessary with this contract, is not material to the financial statements.

**NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2020, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

**KIDS CARE ELEMENTARY SCHOOL  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(Continued)

**NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

For the fiscal year ended June 30, 2020, the School also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the School.

For the fiscal year ended June 30, 2020, the School has early implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 92 *Omnibus 2020*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The early implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The early implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School.

**NOTE 17 – SUBSEQUENT EVENT**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. The School's investments of the pension and other employee benefit plan in which the School participates have incurred a decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 18 – FISCAL DISTRESS AND MANAGEMENT PLAN**

The School's Net Position at June 30, 2020 was (\$28,669), excluding the effects of GASB 68 and GASB 75. This deficit represents the amount in which the School's total liabilities exceeded total assets at fiscal year-end. The Board remains committed to the success of the School both academically and financially and is focused on overcoming this deficit through increases in student enrollment.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's Proportion of the Net Pension Liability	0.0014248%	0.0010043%	0.0000000%
School's Proportionate Share of the Net Pension Liability	\$ 85,248	\$ 57,518	\$ -
School's Covered Payroll	\$ 49,156	\$ 32,319	\$ -
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.42%	177.97%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(1) Fiscal year 2018 was the School's first year of operation.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information



**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST FISCAL THREE YEARS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's Proportion of the Net Pension Liability	0.00251670%	0.00205786%	0.00000000%
School's Proportionate Share of the Net Pension Liability	\$ 556,553	\$ 452,477	\$ -
School's Covered Payroll	\$ 308,578	\$ 263,055	\$ -
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	180.36%	172.01%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(1) Fiscal year 2018 was the School's first year of operation.

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

See accompanying notes to the required supplementary information

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	2020	2019	2018
Contractually Required Pension Contribution	\$ 11,276	\$ 6,636	\$ 4,363
Contributions in Relation to the Contractually Required Pension Contribution	\$ 11,276	\$ 6,636	\$ 4,363
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 80,543	\$ 49,156	\$ 32,319
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%

(1) Fiscal year 2018 was the School's first year of operation.

See accompanying notes to the required supplementary information

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Pension Contribution	\$ 71,292	\$ 43,201	\$ 36,827
Contributions in Relation to the Contractually Required Pension Contribution	\$ 71,292	\$ 43,201	\$ 36,827
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 509,229	\$ 308,578	\$ 263,055
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) Fiscal year 2018 was the School's first year of operation.

See accompanying notes to the required supplementary information

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's Proportion of the Net OPEB Liability	0.0014650%	0.0010186%	0.0000000%
School's Proportionate Share of the Net OPEB Liability	\$ 36,847	\$ 28,259	\$ -
School's Covered Payroll	\$ 49,156	\$ 32,319	\$ -
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	74.96%	87.44%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%

(1) Fiscal year 2018 was the School's first year of operation.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's Proportion of the Net OPEB Liability (Asset)	0.00251700%	0.00205786%	0.00000000%
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ (41,688)	\$ (33,068)	\$ -
School's Covered Payroll	\$ 308,578	\$ 263,055	\$ -
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-13.51%	-12.57%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%

(1) Fiscal year 2018 was the School's first year of operation.

Amounts presented for each fiscal year were determined as of the School's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	2020	2019	2018
Contractually Required OPEB Contribution (2)	\$ 129	\$ 1,164	\$ 711
Contributions in Relation to the Contractually Required OPEB Contribution	\$ 129	\$ 1,164	\$ 711
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 80,543	\$ 49,156	\$ 32,319
OPEB Contributions as a Percentage of Covered Payroll (2)	0.16%	2.37%	2.20%

(1) Fiscal year 2018 was the School's first year of operation.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

**KID CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY**

SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	2019	2019	2018
Contractually Required OPEB Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required OPEB Contribution	\$ -	\$ -	\$ -
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 509,229	\$ 308,578	\$ 263,055
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) Fiscal year 2018 was the School's first year of operation.

See accompanying notes to the required supplementary information

**KIDS CARE ELEMENTARY SCHOOL**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 1 – NET PENSION LIABILITY**

***Changes in Assumptions - SERS***

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to 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.

***Changes in Assumptions – STRS***

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Changes in Benefit Terms - SERS***

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Changes in Benefit Terms - STRS***

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.



**KIDS CARE ELEMENTARY SCHOOL**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 2 – NET OPEB LIABILITY (ASSET)**

***Changes in Assumptions – SERS***

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare:

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare:

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

***Changes in Assumptions – STRS***

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 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.

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

**KIDS CARE ELEMENTARY SCHOOL**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 2 – NET OPEB LIABILITY (ASSET) (Continued)**

***Changes in Benefit Terms – STRS***

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

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

For fiscal year 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. This was subsequently extended, see above paragraph.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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

To the Members of the Board  
Kids Care Elementary School  
Columbus, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Kids Care Elementary School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 18, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. Also, we noted the School is experiencing financial difficulties and management has a plan in regards to this matter.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 18, 2020

**KIDS CARE ELEMENTARY SCHOOL  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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The prior audit report, as of June 30, 2019, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

# OHIO AUDITOR OF STATE KEITH FABER



**KIDS CARE ELEMENTARY**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/2/2021**

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

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