

VALLEY STEM + ME2 ACADEMY

MAHONING COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2021



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Valley STEM + ME2 Academy
7320 North Palmyra Road
Canfield, Ohio 44406

We have reviewed the *Independent Auditor's Report* of Valley STEM + ME2 Academy, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2021. 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. Valley STEM + ME2 Academy 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 14, 2022

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**VALLEY STEM + ME ACADEMY
MAHONING COUNTY
Regular Audit
For the Year Ended June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy'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 Valley STEM + ME2 Academy, Mahoning County, Ohio, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 November 22, 2021, on our consideration of the Academy'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

November 22, 2021

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of the Valley STEM + ME2 Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- ❑ Net position increased in fiscal year 2021 primarily due to increases in cash and cash equivalents. The increase in cash can be attributed to the Academy reducing expenses during the fiscal year from Administrative decisions coupled with foundation increases from the State funding model.
- ❑ During fiscal year 2021, the Academy's capital asset additions included additions to equipment, specifically equipment for technology instruction.
- ❑ In fiscal year 2021 the Academy had enrollment of 198 students interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2021?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Academy as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for the current fiscal year compared to the prior fiscal year:

(Table 1)
Net Position

	2021	2020	Change
Assets			
Current and Other Assets	\$521,006	\$295,420	\$225,586
Capital Assets	57,329	69,960	(12,631)
<i>Total Assets</i>	<u>578,335</u>	<u>365,380</u>	<u>212,955</u>
Liabilities			
Current Liabilities	104,398	1,795	(102,603)
Net Position			
Net Investment in Capital Assets	57,329	69,960	(12,631)
Restricted for:			
State Programs	7,424	4,246	3,178
Other Purposes	16,969	14,576	2,393
Unrestricted	392,215	274,803	117,412
<i>Total Net Position</i>	<u>\$473,937</u>	<u>\$363,585</u>	<u>\$110,352</u>

A portion of the Academy's net position reflects "Net Investment in Capital Assets" (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the Academy does not have any outstanding debt obligations.

The Academy continues to provide the services that the Academy residents expect while maintaining the costs of providing those services. The most dramatic change was an increase to cash resulting from a reduction in expenses from Administrative decisions coupled with an increase in foundation revenues from the State funding model.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2021 and 2020.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

(Table 2)
Changes in Net Position

	2021	2020	Change
<i>Operating Revenues</i>			
Foundation Revenues	\$1,791,244	\$1,672,648	\$118,596
Charges for Services	1,100	6,178	(5,078)
Miscellaneous	0	844	(844)
<i>Total Operating Revenues</i>	<u>1,792,344</u>	<u>1,679,670</u>	<u>112,674</u>
<i>Operating Expenses</i>			
Fringe Benefits	1,225	0	(1,225)
Purchased Services	1,927,551	1,830,400	(97,151)
Materials and Supplies	113,897	81,384	(32,513)
Other	13,853	24,977	11,124
Depreciation	18,751	13,261	(5,490)
<i>Total Operating Expenses</i>	<u>2,075,277</u>	<u>1,950,022</u>	<u>(125,255)</u>
<i>Operating Income (Loss)</i>	<u>(282,933)</u>	<u>(270,352)</u>	<u>(12,581)</u>
<i>Non-Operating Revenues (Expenses)</i>			
Grants and Subsidies	212,338	172,647	39,691
Interest Revenue	2,197	9,971	(7,774)
Contributions and Donations	178,750	178,028	722
<i>Total Non-Operating Revenues(Expenses)</i>	<u>393,285</u>	<u>360,646</u>	<u>32,639</u>
Change in Net Position	110,352	90,294	20,058
<i>Net Position Beginning of Year</i>	<u>363,585</u>	<u>273,291</u>	<u>90,294</u>
<i>Net Position End of Year</i>	<u>\$473,937</u>	<u>\$363,585</u>	<u>\$110,352</u>

As the preceding table illustrates, the Academy's primary source of revenue is State foundation revenue. State foundation revenue is based on Full Time Equivalent (FTE) students reported by the Academy.

The main component of expenses for the Academy is purchased services, which accounted for the vast majority of all expenses in the fiscal year. Purchased services expense consists primarily of Mahoning County Career and Technical Center (MCCTC) employees who are contracted by the Academy to educate students and facility, equipment and classroom rental charges paid to the MCCTC.

Non-operating revenue consists of an in-kind donation from the MCCTC. The difference between the amount paid by the Academy for the rental of classroom space at the MCCTC facility and the standard market rate for the same space is reported as contribution and donation revenue and a like amount as purchased service expense. Grants and subsidies revenues are provided by the federal government. The Academy receives federal funding for the following programs: Improving Basic Programs, Supporting Effective Instruction, Student Support and Academic Enrichment, and Special Education. The Academy also received a new grant specific to the COVID pandemic.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Capital Assets

During fiscal year 2021, the Academy's capital asset additions included additions to equipment, specifically equipment for technology instruction with an ending net capital asset amount of \$57,329. For more information about the Academy's capital assets, see Note 9 to the basic financial statements.

Current Issues

Valley STEM specifically is focused around student interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas. All courses are graded on mastery of skills and competencies. Students either "master" the skill or they work towards mastery. At the end of the year if they master the majority of the skills in the class they receive an A. Course grades are not based off of quarter grades. The instruction they receive will be based on what they need and what they are ready to learn. Students that master courses receive an A for the course. Students that do not master the course continue to work on the material until they do master it.

Valley STEM believes...

- In challenging the traditional learning environment
- Districts can maximize what is provided to students through collaboration
- It takes a global community to educate a child (the ME2 philosophy – "Me too")
- We need to focus on the strengths of the Mahoning Valley and providing critical thinkers to the workforce and college preparedness

Valley STEM...

- Integrates courses that make sense
- Makes connections to the real world
- Engages students in relevant topics related to areas of interest
- partners with universities, businesses and industries that are cutting edge and in need of skilled students and workers
- Groups students together into cohorts based on interest, learning style, academic preparedness, and personality;
- Allows for students to gain mastery in topics
- Provides post-secondary, career technical and problem-based instructional experiences in where the main focus is not on test preparation but on hands-on
- Learning related to STEM, and Advanced Manufacturing fields of study

The Academy receives approximately over 99 percent of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the Academy is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Ryan Jones at r.jones@mahoningesc.org, Treasurer, Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

Valley STEM + ME2 Academy

Statement of Net Position

June 30, 2021

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$430,941
Intergovernmental Receivable	88,627
Prepaid Items	1,438
	<hr/>
<i>Total Current Assets</i>	521,006
 <i>Non-Current Assets:</i>	
Capital Assets, Net	57,329
	<hr/>
<i>Total Assets</i>	<hr/> 578,335 <hr/>
 Liabilities	
<i>Current Liabilities:</i>	
Intergovernmental Payable	104,398
	<hr/>
 Net Position	
Investment in Capital Assets	57,329
Restricted for:	
Restricted for State Programs	7,424
Restricted for Other Purposes	16,969
Unrestricted	392,215
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<i>Total Net Position</i>	<hr/> \$473,937 <hr/>

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
*Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2021*

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Operating Revenues	
Foundation Revenues	\$1,791,244
Charges for Services	<u>1,100</u>
<i>Total Operating Revenues</i>	<u>1,792,344</u>
Operating Expenses	
Fringe Benefits	1,225
Purchased Services	1,927,551
Materials and Supplies	113,897
Other	13,853
Depreciation	<u>18,751</u>
<i>Total Operating Expenses</i>	<u>2,075,277</u>
<i>Operating Income (Loss)</i>	<u>(282,933)</u>
Non-Operating Revenues (Expenses)	
Grants and Subsidies	212,338
Interest Revenue	2,197
Contributions and Donations	<u>178,750</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>393,285</u>
<i>Change in Net Position</i>	110,352
<i>Net Position Beginning of Year</i>	<u>363,585</u>
<i>Net Position End of Year</i>	<u><u>\$473,937</u></u>

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State Foundation	\$1,791,244
Cash Received from Charges for Services	1,100
Cash Payments for Employee Benefits	(1,225)
Cash Payments for Purchased Services	(1,649,256)
Cash Payments for Materials and Supplies	(114,590)
Cash Payments for Other	(13,838)

Net Cash Provided by (Used for) Operating Activities 13,435

Cash Flows from Noncapital Financing Activities

Cash Received from Grants and Subsidies	243,263
Cash Received from Contributions and Donations	3,751

Net Cash Provided by (Used for) Noncapital Financing Activities 247,014

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(6,120)
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Cash Flows from Investing Activities

Interest	2,197
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Net Increase (Decrease) in Cash and Cash Equivalents 256,526

Cash and Cash Equivalents Beginning of Year 174,415

Cash and Cash Equivalents End of Year \$430,941

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) by Operating Activities

Operating Income (Loss)	(\$282,933)
Depreciation	18,751
In-Kind Contributions	174,999

Adjustments:

(Increase)/Decrease in Assets:	
Prepaid Items	15
Increase/(Decrease) in Liabilities:	
Accounts Payable	(796)
Intergovernmental Payable	103,399

Net Cash Provided by (Used for) Operating Activities \$13,435

Noncash Transactions:

During fiscal year 2021, the Academy received in-kind contributions related to rent in the amount of \$174,999.

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 - Description of the Academy and Reporting Entity

The Valley STEM + ME2 Academy (the “Academy”) is a legally separate nonprofit corporation operating under the direction of a five-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) Academy under chapter 3326 of the Ohio Revised Code. The Academy began operations on August 22, 2016. The Academy is a small, intellectual public STEM Academy option that maximizes individual potential and ensures students are well-equipped to meet the challenges in the world around them. For its inaugural year, the Academy was open to ninth grade students throughout Mahoning county and will serve students in grades nine through twelve in future years. All students engage in a personally relevant and academically rigorous curriculum and are prepared for college and 21st century careers within a safe and trusting environment, through powerful teaching and problem-based interdisciplinary learning. For fiscal year 2021, services were provided to 198 students.

The Academy’s Governing Board advises and assists the Academy staff on curriculum, Academy evaluation and research, professional development, funding and community relations. Five members serve on the Governing Board.

The Mahoning County Educational Service Center serves as the Academy’s fiscal agent (See Note 5).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization’s Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization’s resources; or (3) the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading.

Based upon the application of these criteria, the Academy has no component units. The basic financial statements of the reporting entity include only those of the Academy (the primary government).

Note 2 - Summary of Significant Accounting Policies

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Basis of Presentation

The Academy'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 accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, STEM Academies are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the Academy to prepare a five-year projection.

Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2021.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense/expenditure in the year in which services are consumed.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes represents amounts restricted by local donations and contributions for student activities. Net position restricted for state and federal programs represents amounts restricted by the state and federal government, respectively.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid, Public School Connectivity, Special Education grant, Improving Basic Programs grant, Supporting Effective Instruction grant and Student Support and Academic Enrichment grant. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled \$1,791,244 and those associated with Federal and State grants totaled \$212,338 during fiscal year 2021.

The amount of State Foundation grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements. The Academy had no long-term obligations at June 30, 2021.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Capital Assets

All 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 values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy 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:

Description	Estimated Lives
Furniture, Fixtures and Equipment	5 years

Note 3 - Deposits and Investments

Monies held by the Academy are classified by State statute into three categories.

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

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

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

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

Interim monies held by the Academy can be deposited or invested in the following securities:

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 4 – Purchased Services

For fiscal year ended June 30, 2021, purchased services expenses were as follows:

Professional and technical services	\$ 1,547,026
Property services	334,699
Communications	41,329
Tuition	<u>4,497</u>
Total	<u>\$ 1,927,551</u>

Note 5 - Service Agreements

Mahoning County Educational Service Center

The Academy entered into a fiscal agent agreement with the Mahoning County Educational Service Center (ESC) for the period September 1, 2018 through August 31, 2021, to provide the following services:

- The Treasurer of the ESC will act as the Treasurer of the Academy.
- The ESC will oversee, manage and expend Academy funds for approved purchases as requested and directed by the Academy.
- Perform all accounting and related accounting management procedures for the Academy.

The Academy paid the ESC \$89,440 during fiscal year 2021 for fiscal agent services.

Mahoning County Career and Technical Center

The Academy entered into an administrative agent agreement with the Mahoning County Career and Technical Center (MCCTC) for the period July 1, 2020 through June 30, 2023, to provide the following services:

- The MCCTC will direct certain administrative and teaching staff of the MCCTC, as part of their job duties, to serve the Academy.
- The MCCTC administrators and teachers will diligently undertake, perform, and complete any and all job duties, tasks, obligations, and responsibilities required of STEM school administrators and teachers.

The Academy paid the MCCTC \$1,315,404 during fiscal year 2021 for these and other services.

Area Cooperative Computerized Educational Service System (ACCESS)

The Academy entered into an agreement for managed internal broadband services and wireless products for the period July 1, 2020 through June 30, 2021. Services under this agreement include:

- Managed internal broadband services
- Management of ACCESS owned and Academy-owned wireless access points.

The Academy paid ACCESS \$11,117 during fiscal year 2021 for these services.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 6 - Contingencies

Grants

The Academy 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. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2021, if applicable, cannot be determined at this time.

School Foundation

In fiscal year 2021, the Academy foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. 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. As of the date of this report, additional ODE adjustments for fiscal year 2021 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2021 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the Academy.

Litigation

The Academy is not a party to any legal proceedings.

Note 7 – Operating Lease

On March 1, 2016, the Mahoning County Educational Service Center (the “Lessee”) entered into a classroom space lease agreement (the “Master Lease Agreement”) with the Mahoning County Career and Technical Service Center (the “Lessor”) to provide adult computer labs and space for use by the Academy. The terms of the Master Lease Agreement commenced March 1, 2016 and terminate June 30, 2021. The Lessee shall pay the Lessor one dollar per year in rent in accordance with the Master Lease Agreement. The Mahoning County ESC (the “Sublessor”) then entered into a sublease agreement with the Academy (the “Sublessee”) to grant the Sublessee the privileges enjoyed by the Lessee in accordance with the Master Lease Agreement. The Sublessee agrees to be subject to all the term and conditions contained in the Master Lease Agreement. The Sublessee share pay the Sublessor an annual rent payment of one dollar in accordance with the sublease agreement. The Academy has reported an in-kind contribution in the amount of \$174,999 equal to the difference between the actual rent payments made and the standard market rate rent of the leased space.

Note 8 – Risk Management

The Academy 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 ending June 30, 2021, the Academy contracted through the Ohio School Plan for the following coverage amounts:

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

General Liability:	
Per Occurrence	\$2,000,000
Annual Aggregate	4,000,000
Employer's Liability	2,000,000
Fiduciary Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Educational Legal Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Auto Liability	2,000,000
Cyber Policy	1,000,000
Violence Coverage	1,000,000

Settled claims did not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

Note 9 – Capital Assets

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

	Balance 06/30/20	Additions	Deductions	Balance 06/30/21
<i>Capital Assets being Depreciated:</i>				
Furniture, Fixtures and Equipment	\$90,688	\$6,120	\$0	\$96,808
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures and Equipment	(20,728)	(18,751)	0	(39,479)
<i>Capital Assets, Net</i>	<u>\$69,960</u>	<u>(\$12,631)</u>	<u>\$0</u>	<u>\$57,329</u>

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID- 19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Academy. The Academy's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 11 – Change in Accounting Principle

For fiscal year 2021, the Academy implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the Academy's 2021 financial statements; however, there was no effect on beginning net position.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 12 – Subsequent Event

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 22, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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 Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 22, 2021

VALLEY STEM + ME2 ACADEMY

MAHONING COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2020



**VALLEY STEM + ME ACADEMY
MAHONING COUNTY
Regular Audit
For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy'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 Valley STEM + ME2 Academy, Mahoning County, Ohio, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 November 22, 2021, on our consideration of the Academy'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

November 22, 2021

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The discussion and analysis of the Valley STEM + ME2 Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- ❑ Net position increased in fiscal year 2020 primarily due to increases in intergovernmental receivables. Grants increased due to the Academy seeking out restricted grant monies as additional sources of revenues along with a new grant specific to student health and wellness.
- ❑ During fiscal year 2020, the Academy's capital asset additions included additions to equipment, specifically equipment for technology instruction.
- ❑ In fiscal year 2020 the Academy had enrollment of 200 students interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations.

Reporting the Academy Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the Academy perform financially during 2020?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and changes in net position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Academy as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position for the current fiscal year compared to the prior fiscal year:

(Table 1)
Net Position

	2020	2019	Change
Assets			
Current and Other Assets	\$295,420	\$246,080	\$49,340
Capital Assets	69,960	34,436	35,524
<i>Total Assets</i>	<u>365,380</u>	<u>280,516</u>	<u>84,864</u>
Liabilities			
Current Liabilities	1,795	7,225	5,430
Net Position			
Net Investment in Capital Assets	69,960	34,436	35,524
Restricted for:			
State Programs	4,246	1,746	2,500
Other Purposes	14,576	10,241	4,335
Unrestricted	274,803	226,868	47,935
<i>Total Net Position</i>	<u>\$363,585</u>	<u>\$273,291</u>	<u>\$90,294</u>

A large portion of the Academy's net position reflects "Net Investment in Capital Assets" (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the Academy does not have any outstanding debt obligations.

The Academy continues to provide the services that the Academy residents expect while maintaining the costs of providing those services. The most dramatic change was an increase to intergovernmental receivables resulting from reimbursable grant requests carrying over to fiscal year 2021 for work performed in fiscal year 2020.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal years 2020 and 2019.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

(Table 2)
Changes in Net Position

	2020	2019	Change
<i>Operating Revenues</i>			
Foundation Revenues	\$1,672,648	\$1,588,574	\$84,074
Tuition and Fees	0	1,650	(1,650)
Charges for Services	6,178	5,097	1,081
Miscellaneous	844	0	844
<i>Total Operating Revenues</i>	<u>1,679,670</u>	<u>1,595,321</u>	<u>84,349</u>
<i>Operating Expenses</i>			
Purchased Services	1,830,400	1,713,483	(116,917)
Materials and Supplies	81,384	108,440	27,056
Other	24,977	12,412	(12,565)
Depreciation	13,261	5,829	(7,432)
<i>Total Operating Expenses</i>	<u>1,950,022</u>	<u>1,840,164</u>	<u>(109,858)</u>
<i>Operating Income (Loss)</i>	<u>(270,352)</u>	<u>(244,843)</u>	<u>(25,509)</u>
<i>Non-Operating Revenues (Expenses)</i>			
Grants and Subsidies	172,647	114,068	58,579
Interest Revenue	9,971	2,173	7,798
Contributions and Donations	178,028	180,189	(2,161)
<i>Total Non-Operating Revenues(Expenses)</i>	<u>360,646</u>	<u>296,430</u>	<u>64,216</u>
Change in Net Position	90,294	51,587	38,707
<i>Net Position Beginning of Year</i>	<u>273,291</u>	<u>221,704</u>	<u>51,587</u>
<i>Net Position End of Year</i>	<u>\$363,585</u>	<u>\$273,291</u>	<u>\$90,294</u>

As the preceding table illustrates, the Academy's primary source of revenue is State foundation revenue. State foundation revenue is based on Full Time Equivalent (FTE) students reported by the Academy.

The main component of expenses for the Academy is purchased services, which accounted for the vast majority of all expenses in fiscal year. Purchased services expense consists primarily of Mahoning County Career and Technical Center (MCCTC) employees who are contracted by the Academy to educate students and facility, equipment and classroom rental charges paid to the MCCTC.

Non-operating revenue consists primarily of an in-kind donation from the MCCTC. The difference between the amount paid by the Academy for the rental of classroom space at the MCCTC facility and the standard market rate for the same space is reported as contribution and donation revenue and a like amount as purchased service expense. Grants and subsidies revenues are provided by the federal government. The Academy receives federal funding for the following programs: Improving Basic Programs, Supporting Effective Instruction, Student Support and Academic Enrichment, and Special Education. The Academy also received a new grant specific to student health and wellness.

Valley STEM + ME2 Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Capital Assets

During fiscal year 2020, the Academy's capital asset additions included additions to equipment, specifically equipment for technology instruction with an ending net capital asset amount of \$69,960. For more information about the Academy's capital assets, see Note 9 to the basic financial statements.

Current Issues

Valley STEM specifically is focused around student interested in science, technology, engineering and mathematics fields of study or careers that are heavy in those areas. All courses are graded on mastery of skills and competencies. Students either "master" the skill or they work towards mastery. At the end of the year if they master the majority of the skills in the class they receive an A. Course grades are not based off of quarter grades. The instruction they receive will be based on what they need and what they are ready to learn. Students that master courses receive an A for the course. Students that do not master the course continue to work on the material until they do master it.

Valley STEM believes...

- In challenging the traditional learning environment
- Districts can maximize what is provided to students through collaboration
- It takes a global community to educate a child (the ME2 philosophy – "Me too")
- We need to focus on the strengths of the Mahoning Valley and providing critical thinkers to the workforce and college preparedness

Valley STEM...

- Integrates courses that make sense
- Makes connections to the real world
- Engages students in relevant topics related to areas of interest
- partners with universities, businesses and industries that are cutting edge and in need of skilled students and workers
- Groups students together into cohorts based on interest, learning style, academic preparedness, and personality;
- Allows for students to gain mastery in topics
- Provides post-secondary, career technical and problem-based instructional experiences in where the main focus is not on test preparation but on hands-on
- Learning related to STEM, and Advanced Manufacturing fields of study

The Academy receives approximately over 99 percent of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the Academy is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Ryan Jones at r.jones@mahoningesc.org, Treasurer, Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

Valley STEM + ME2 Academy

Statement of Net Position

June 30, 2020

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$174,415
Intergovernmental Receivable	119,552
Prepaid Items	1,453
	<hr/>
<i>Total Current Assets</i>	295,420
<i>Non-Current Assets:</i>	
Capital Assets, Net	69,960
	<hr/>
<i>Total Assets</i>	<hr/> 365,380 <hr/>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	796
Intergovernmental Payable	999
	<hr/>
<i>Total Liabilities</i>	<hr/> 1,795 <hr/>
Net Position	
Investment in Capital Assets	69,960
Restricted for:	
Restricted for State Programs	4,246
Restricted for Other Purposes	14,576
Unrestricted	274,803
	<hr/>
<i>Total Net Position</i>	<hr/> \$363,585 <hr/>

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
*Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020*

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Operating Revenues	
Foundation Revenues	\$1,672,648
Charges for Services	6,178
Miscellaneous	844
	<hr/>
<i>Total Operating Revenues</i>	<i>1,679,670</i>
	<hr/>
Operating Expenses	
Purchased Services	1,830,400
Materials and Supplies	81,384
Other	24,977
Depreciation	13,261
	<hr/>
<i>Total Operating Expenses</i>	<i>1,950,022</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>(270,352)</i>
	<hr/>
Non-Operating Revenues (Expenses)	
Grants and Subsidies	172,647
Interest Revenue	9,971
Contributions and Donations	178,028
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>360,646</i>
	<hr/>
<i>Change in Net Position</i>	<i>90,294</i>
	<hr/>
<i>Net Position Beginning of Year</i>	<i>273,291</i>
	<hr/>
<i>Net Position End of Year</i>	<i>\$363,585</i>
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See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State Foundation	\$1,670,900
Cash Received from Charges for Services	6,178
Cash Received from Other	844
Cash Payments for Purchased Services	(1,658,829)
Cash Payments for Materials and Supplies	(80,588)
Cash Payments for Other	(26,495)

Net Cash Provided by (Used for) Operating Activities (87,990)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants and Subsidies	53,095
Cash Received from Contributions and Donations	3,029

Net Cash Provided by (Used for) Noncapital Financing Activities 56,124

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(48,785)
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Cash Flows from Investing Activities

Interest	9,971
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Net Increase (Decrease) in Cash and Cash Equivalents (70,680)

Cash and Cash Equivalents Beginning of Year 245,095

Cash and Cash Equivalents End of Year \$174,415

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) by Operating Activities

Operating Income (Loss)	(\$270,352)
Depreciation	13,261
In-Kind Contributions	174,999

Adjustments:

(Increase)/Decrease in Assets:	
Prepaid Items	(468)
Increase/(Decrease) in Liabilities:	
Accounts Payable	796
Intergovernmental Payable	(6,226)

Net Cash Provided by (Used for) Operating Activities (\$87,990)

Noncash Transactions:

During fiscal year 2020, the Academy received in-kind contributions related to rent in the amount of \$174,999.

See accompanying notes to the basic financial statements

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the Academy and Reporting Entity

The Valley STEM + ME2 Academy (the “Academy”) is a legally separate nonprofit corporation operating under the direction of a five-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) Academy under chapter 3326 of the Ohio Revised Code. The Academy began operations on August 22, 2016. The Academy is a small, intellectual public STEM Academy option that maximizes individual potential and ensures students are well-equipped to meet the challenges in the world around them. For its inaugural year, the Academy was open to ninth grade students throughout Mahoning county and will serve students in grades nine through twelve in future years. All students engage in a personally relevant and academically rigorous curriculum and are prepared for college and 21st century careers within a safe and trusting environment, through powerful teaching and problem-based interdisciplinary learning. For fiscal year 2020, services were provided to 200 students.

The Academy’s Governing Board advises and assists the Academy staff on curriculum, Academy evaluation and research, professional development, funding and community relations. Five members serve on the Governing Board.

The Mahoning County Educational Service Center serves as the Academy’s fiscal agent (See Note 5).

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization’s Governing Board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization’s resources; or (3) the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading.

Based upon the application of these criteria, the Academy has no component units. The basic financial statements of the reporting entity include only those of the Academy (the primary government).

Note 2 - Summary of Significant Accounting Policies

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Basis of Presentation

The Academy'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 accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, STEM Academies are not required to follow budgetary the provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the Academy to prepare a five-year projection.

Cash and Cash Equivalents

Cash received by the Academy is reflected as "cash and cash equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2020.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense/expenditure in the year in which services are consumed.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes represents amounts restricted by local donations and contributions for student activities. Net position restricted for state and federal programs represents amounts restricted by the state and federal government, respectively.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Intergovernmental Revenue

The Academy currently participates in the State Foundation Basic Aid, Public School Connectivity, Special Education grant, Improving Basic Programs grant, Supporting Effective Instruction grant and Student Support and Academic Enrichment grant. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and State grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program Basic Aid totaled \$1,672,648 and those associated with Federal and State grants totaled \$172,647 during fiscal year 2020.

The amount of State Foundation grants is directly related to the number of students enrolled in the Academy. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements. The Academy had no long-term obligations at June 30, 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary cost incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Capital Assets

All 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 values as of the date received. The Academy maintains a capitalization threshold of five thousand dollars. The Academy 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:

Description	Estimated Lives
Furniture, Fixtures and Equipment	5 years

Note 3 - Deposits and Investments

Monies held by the Academy are classified by State statute into three categories.

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

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

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

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

Interim monies held by the Academy can be deposited or invested in the following securities:

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 – Purchased Services

For fiscal year ended June 30, 2020, purchased services expenses were as follows:

Professional and technical services	\$ 1,439,710
Property services	334,699
Travel milage/meeting expense	750
Communications	51,560
Tuition	2,430
Pupil transportation services	1,251
Total	<u>\$ 1,830,400</u>

Note 5 - Service Agreements

Mahoning County Educational Service Center

The Academy entered into a fiscal agent agreement with the Mahoning County Educational Service Center (ESC) for the period September 1, 2018 through August 31, 2021, to provide the following services:

- The Treasurer of the ESC will act as the Treasurer of the Academy.
- The ESC will oversee, manage and expend Academy funds for approved purchases as requested and directed by the Academy.
- Perform all accounting and related accounting management procedures for the Academy.

The Academy paid the ESC \$85,427 during fiscal year 2020 for fiscal agent services.

Mahoning County Career and Technical Center

The Academy entered into an administrative agent agreement with the Mahoning County Career and Technical Center (MCCTC) for the period September 1, 2018 through August 31, 2020, to provide the following services:

- The MCCTC will direct certain administrative and teaching staff of the MCCTC, as part of their job duties, to serve the Academy.
- The MCCTC administrators and teachers will diligently undertake, perform, and complete any and all job duties, tasks, obligations, and responsibilities required of STEM school administrators and teachers.

The Academy paid the MCCTC \$1,210,083 during fiscal year 2020 for these and other services.

Area Cooperative Computerized Educational Service System (ACCESS)

The Academy entered into an agreement for managed internal broadband services and wireless products for the period July 1, 2019 through June 30, 2020. Services under this agreement include:

- Managed internal broadband services
- Management of ACCESS owned and Academy-owned wireless access points.

The Academy paid ACCESS \$11,117 during fiscal year 2020 for these services.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Contingencies

Grants

The Academy 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. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2020, if applicable, cannot be determined at this time.

Litigation

The Academy is not a party to any legal proceedings.

Note 7 – Operating Lease

On March 1, 2016, the Mahoning County Educational Service Center (the “Lessee”) entered into a classroom space lease agreement (the “Master Lease Agreement”) with the Mahoning County Career and Technical Service Center (the “Lessor”) to provide adult computer labs and space for use by the Academy. The terms of the Master Lease Agreement commenced March 1, 2016 and terminate June 30, 2021. The Lessee shall pay the Lessor one dollar per year in rent in accordance with the Master Lease Agreement. The Mahoning County ESC (the “Sublessor”) then entered into a sublease agreement with the Academy (the “Sublessee”) to grant the Sublessee the privileges enjoyed by the Lessee in accordance with the Master Lease Agreement. The Sublessee agrees to be subject to all the term and conditions contained in the Master Lease Agreement. The Sublessee share pay the Sublessor an annual rent payment of one dollar in accordance with the sublease agreement. The Academy has reported an in-kind contribution in the amount of \$174,999 equal to the difference between the actual rent payments made and the standard market rate rent of the leased space.

Note 8 – Risk Management

The Academy 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 ending June 30, 2020, the Academy contracted through the Ohio School Plan for the following coverage amounts:

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

General Liability:	
Per Occurrence	\$2,000,000
Annual Aggregate	4,000,000
Employer's Liability	2,000,000
Fiduciary Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Educational Legal Liability:	
Per Occurrence	2,000,000
Annual Aggregate	4,000,000
Auto Liability	2,000,000
Cyber Policy	1,000,000
Violence Coverage	1,000,000

Settled claims did not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

Note 9 – Capital Assets

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

	Balance 06/30/19	Additions	Deductions	Balance 06/30/20
<i>Capital Assets being Depreciated:</i>				
Furniture, Fixtures and Equipment	\$41,903	\$48,785	\$0	\$90,688
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures and Equipment	(7,467)	(13,261)	0	(20,728)
<i>Capital Assets, Net</i>	<u>\$34,436</u>	<u>\$35,524</u>	<u>\$0</u>	<u>\$69,960</u>

Note 10 – Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Academy evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the Academy also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the Academy's fiscal year 2020 financial statements; however, there was no effect on beginning net position.

Valley STEM + ME2 Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Academy. The Academy's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Academy's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Subsequent Event

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Valley STEM + ME2 Academy
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Board of Directors:

We have audited 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, the financial statements of the Valley STEM + ME2 Academy, Mahoning County, Ohio (the Academy), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 22, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Academy.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Academy'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 Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 22, 2021

OHIO AUDITOR OF STATE KEITH FABER



VALLEY STEM+ME2 ACADEMY

MAHONING 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 1/27/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov