

TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL

LAWRENCE COUNTY

REGULAR AUDIT

JULY 1, 2019 – JUNE 30, 2020



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER



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Governing Board
Tri-State STEM+M Early College High School
702 Solida Road
South Point, Ohio 45680

We have reviewed the *Independent Auditor's Report* of the Tri-State STEM+M Early College High School, Lawrence County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tri-State STEM+M Early College High School is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2021

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**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY**

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Tri-State STEM+M Early College High School
Lawrence County
702 Solida Road
South Point, Ohio 45680

INDEPENDENT AUDITOR'S REPORT

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Tri-State STEM+M Early College High School, Lawrence County, Ohio (the School), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tri-State STEM+M Early College High School, Lawrence County as of June 30, 2020, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 13 to the financial statements, during fiscal year 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Wilson, Shuman & Snow, Inc.

December 18, 2020
Newark, Ohio

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The management's discussion and analysis of the Tri-State STEM+M Early College High School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ending June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance. The School began accepting students and State Foundation revenue in July of 2017 and fiscal year 2018 was the first year of the School's operations. However, the School did receive grants and donations prior to July 1, 2017.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- Net position at June 30, 2020 was \$477,489, including unrestricted net position of \$424,954. This represents an increase of \$287,246 compared to the prior fiscal year's net position.
- The School had total revenues of \$1,106,410, including operating revenues of \$567,920 and non-operating revenues of \$538,490; these revenues supported operating expenses of \$819,164 during fiscal year 2020.

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 School'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 School, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

Reporting the School's 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 School 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, liabilities, 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 fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-19 of this report.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The table below provides a summary of the School's net position at June 30, 2020 and 2019.

Net Position		
	2020	2019
<u>Assets</u>		
Current assets	\$ 662,634	\$ 276,094
Total assets	662,634	276,094
<u>Liabilities</u>		
Current liabilities	133,693	85,326
Non-current liabilities	51,452	525
Total liabilities	185,145	85,851
<u>Net position</u>		
Restricted	52,535	30,076
Unrestricted	424,954	160,167
Total net position	\$ 477,489	\$ 190,243

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the School's assets exceeded liabilities by \$477,489. Of this total, \$52,535 is restricted in use and \$424,954 is unrestricted.

Assets

Current assets primarily consist of cash and cash equivalents. Current assets also include receivables (mostly donations and intergovernmental grants) and prepayments.

Liabilities

Current liabilities include accounts and intergovernmental payables, and the current portion of the Paycheck Protection Program loan. Non-current liabilities consist of a long-term intergovernmental payable and the long-term balance of the loan.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The following table shows the changes in net position for fiscal years 2020 and 2019.

Change in Net Position

	2020	2019
<u>Operating revenues:</u>		
State Foundation	\$ 538,590	\$ 444,054
Tuition and fees	25,368	43,343
Sales and charges for services	3,612	-
Miscellaneous	350	-
Total operating revenues	567,920	487,397
<u>Operating expenses:</u>		
Purchased services	748,756	589,120
Materials and supplies	48,280	72,228
Other	22,128	23,380
Total operating expenses	819,164	684,728
<u>Non-operating revenues:</u>		
Federal, State and local grants	533,201	52,930
Interest earnings	629	29
Contributions and donations	4,660	23,747
Total non-operating revenues	538,490	76,706
Change in net position	287,246	(120,625)
Net position at the beginning of the fiscal year	190,243	310,868
Net position at the end of the fiscal year	\$ 477,489	\$ 190,243

As the preceding table illustrates, the School's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The School's FTE for fiscal year 2020 was 67 compared to 58 in 2019. Foundation revenue accounted for 94.8% of operating revenues and 48.7% of all revenues in fiscal year 2020. Tuition and fees revenue mostly consists of out-of-state tuition for the School's students from Kentucky and West Virginia. The School also receives grant revenue from Federal, State and local sources as well as various donations and contributions. Grant revenues were higher in fiscal year 2020 as the School received an additional \$481,400 Program and Project Support grant from the State.

The main component of expenses for the School is purchased services, which accounted for 91.4% of all expenses in fiscal year 2020. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with the Educational Service Center Council of Governments, and rent expense for the use of buildings. Refer to Note 6 in the notes to the basic financial statements for detail regarding the components of the School's purchased services expenses.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Capital Assets and Debt Administration

The School has no capital assets at June 30, 2020.

Long-term debt outstanding for School consists of a \$90,859 loan issued in May 2020 under the Paycheck Protection Program (PPP) to help the School with payroll costs during the COVID-19 crisis. This loan will be fully forgiven as long as certain conditions relating to the use of the funds are met. See Note 7 in the notes to the basic financial statements for more detail on the loan.

Current Issues

The School receives approximately 94.8% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenue. Thus, the School is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The School's allocation for fiscal year 2020 is approximately \$576,000. The School also expects to receive an additional \$39,326 from the State in Student Wellness and Success Funding.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tammy Rizzo, Treasurer, 2080 Citygate Drive, Columbus, Ohio 43219.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 648,304
Receivables:	
Intergovernmental	7,942
Prepayments	<u>6,388</u>
Total assets	<u>662,634</u>

Liabilities:

Current liabilities:

Accounts payable	20,858
Intergovernmental payable	72,621
Loans payable	<u>40,214</u>
Total current liabilities	<u>133,693</u>

Non-current liabilities:

Intergovernmental payable	807
Loans payable	<u>50,645</u>
Total non-current liabilities	<u>51,452</u>
Total liabilities	<u>185,145</u>

Net position:

Restricted for locally funded programs	25,035
Restricted for state funded programs	27,500
Unrestricted	<u>424,954</u>
Total net position	<u>\$ 477,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

Operating revenues:	
State Foundation	\$ 538,590
Tuition and fees.	25,368
Sales and charges for services	3,612
Miscellaneous	350
Total operating revenues	567,920
Operating expenses:	
Purchased services	748,756
Materials and supplies.	48,280
Other	22,128
Total operating expenses	819,164
Operating loss.	(251,244)
Non-operating revenues:	
Federal, State and local grants.	533,201
Interest revenue	629
Contributions and donations	4,660
Total nonoperating revenues	538,490
Change in net position.	287,246
Net position at beginning of fiscal year	190,243
Net position at end of fiscal year.	\$ 477,489

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from State Foundation	\$ 533,779
Cash received from tuition and fees	25,368
Cash received from sales and charges for services	3,612
Cash received from miscellaneous sources.	350
Cash payments for purchased services	(739,342)
Cash payments for materials and supplies	(40,424)
Cash payments for other expenses	(22,474)
	(239,131)
Cash flows from noncapital financing activities:	
Cash received from Federal, State and local grants	561,851
Cash received from contributions and donations	5,160
Cash received from loans	90,859
	657,870
Cash flows from investing activities:	
Interest received	629
	629
Net cash provided by investing activities.	629
Net increase in cash and cash equivalents.	419,368
Cash and cash equivalents at beginning of fiscal year	228,936
Cash and cash equivalents at end of fiscal year.	\$ 648,304
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (251,244)
Changes in assets and liabilities:	
Increase in intergovernmental receivable.	(4,811)
Decrease in prepayments.	8,489
Increase in accounts payable	8,376
Increase in intergovernmental payable	59
	59
Net cash used in operating activities	\$ (239,131)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Tri-State STEM+M Early College High School (the “School”) is a legally separate nonprofit corporation served by a seven-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. Founded in 2018 in South Point, Ohio, the School was created to serve students in Ohio, Kentucky, and West Virginia. The School’s mission is to inspire all students to achieve personal excellence, pursue world class STEM+M education and become self-directed life-long learners. The School has a medical focus and offers students in grades ninth through twelfth an accelerated curriculum with career and college degree programs.

The School has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The School’s Governing Board advises and assists the school staff on curriculum, school evaluation and research, professional development, funding and community relations. Seven members serve on the Governing Board, including representatives from Marshall University, Ohio University, and local business entrepreneurs from in and around the Tri-State area. The School’s director and staff oversee the day-to-day operations of the school.

The Educational Service Center Council of Governments serves as the School’s fiscal agent (See Note 10).

Reporting Entity:

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School. For the School, this includes instructional activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization’s Governing Board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization’s resources; or (3) the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School 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 School has no component units. The basic financial statements of the reporting entity include only those of the School (the primary government).

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

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The School's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise 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.

B. 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.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. 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 School 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 School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School is pooled in a central bank account. Monies for the School are maintained in this account or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The School had no investments during the fiscal year ended June 30, 2020.

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

G. Capital Assets

The School does not have any capital assets.

H. 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 School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position represents amounts restricted for State grants and various local grants.

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

I. Intergovernmental Revenue

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the basic financial statements.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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.

L. Operating Revenues and Expenses

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The School had no extraordinary or special items during fiscal year 2020.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2020, the School has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the School.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School.

NOTE 4 - DEPOSITS

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

Active monies are public deposits determined to be necessary to meet current demands upon the School treasury. Active monies must be maintained either as cash in the School 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 Governing Board has identified as not required for use within the current five year period of designation of depositories.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 4 - DEPOSITS - (Continued)

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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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 that the fair 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 that 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain banker's acceptance 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.

Protection of the School'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 (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School, 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.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 4 - DEPOSITS - (Continued)

At June 30, 2020, the carrying amount and bank balance of all School deposits was \$648,304. Of the bank balance, \$250,000 was covered by the FDIC and \$398,304 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. All statutory requirements for the deposit of money have been followed.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the School's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2020 consist of intergovernmental grants and entitlements. All receivables are considered collectible in full and are expected to be collected within the subsequent fiscal year.

NOTE 6 - PURCHASED SERVICES

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

Professional and technical services *	\$ 645,250
Property services	34,674
Travel mileage and meetings	4,145
Communications	14,766
Utilities	10,453
Tuition	27,990
Other	<u>11,478</u>
Total	<u>\$ 748,756</u>

* Professional and technical services includes \$480,931 in salary and benefit related expenses specific to School employees who are employed by the Educational Service Center Council of Governments.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 7 - LONG-TERM OBLIGATIONS

The following tables summarizes the School's long-term obligations activity in fiscal year 2020.

	<u>Balance at</u> <u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/20</u>	<u>Due Within</u> <u>One Year</u>
Intergovernmental payable	\$ 2,968	\$ 3,582	\$ (2,443)	\$ 4,107	\$ 3,300
Loans payable from direct borrowing	<u>-</u>	<u>90,859</u>	<u>-</u>	<u>90,859</u>	<u>40,214</u>
Total long-term obligations	<u>\$ 2,968</u>	<u>\$ 94,441</u>	<u>\$ (2,443)</u>	<u>\$ 94,966</u>	<u>\$ 43,514</u>

Intergovernmental payable: The School's employees are employed by the Educational Service Center Council of Governments (ESCCOG). Sick and vacation leave payouts for these employees are paid by the ESCCOG and subsequently reimbursed by the School. The intergovernmental payable reported as a long-term obligation represents the sick and vacation leave balances for the School's employees in accordance with GASB Statement No. 16.

Loans payable: On May 6, 2020, the School entered into an agreement with The Huntington National Bank in the amount of \$90,859 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan is considered a direct borrowing. Direct borrowings have terms negotiated between the borrower and the lender and are not offered for public sale. The loan carries an interest rate of 1% and has a maturity date of May 6, 2022. Forgiveness of the loan is available for principal that is used for the limited purposes that qualify for forgiveness under SBA requirements, and in order to obtain forgiveness, the School must request it and must provide documentation in accordance with the SBA requirements. The School intends to comply with all requirements so that the full amount of the loan may be forgiven.

The following is a schedule of the future payments due on the loan, assuming none of the loan is forgiven:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 40,214	\$ 489	\$ 40,703
2022	<u>50,645</u>	<u>232</u>	<u>50,877</u>
Total	<u>\$ 90,859</u>	<u>\$ 721</u>	<u>\$ 91,580</u>

NOTE 8 - INTERGOVERNMENTAL PAYABLE

As discussed in Note 7, a portion of the School's intergovernmental payable liability represents a long-term payable to the ESCCOG. The following is a summary of other intergovernmental payables incurred by the School for fiscal year 2020:

<u>Description</u>	<u>Amount</u>
Payable to ESCCOG	\$ 53,180
Payable to Other Governmental Entities	<u>16,141</u>
Total	<u>\$ 69,321</u>

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 9 - RISK MANAGEMENT

The School is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2020, the school had general liability, property and public officials insurance through Scherer Mountain Insurance. Settled claims have not exceeded this commercial coverage in the past two fiscal years and there has been no significant reduction in coverage compared to the prior fiscal year.

NOTE 10 - SERVICE AGREEMENT

The School entered into a service contract with the Educational Service Center Council of Governments (ESCCOG) for fiscal year 2020 to provide payroll, fiscal, student data, and Comprehensive Continuous Improvement Plan (CCIP) consulting services. The ESCCOG shall perform the following services for the School in accordance with the services proposal:

- Month End Accounting
- Accounts Payable/Receivable
- Payroll
- Accounting/Fiscal Support/Tax Reporting/General Office Support
- EMIS/Recordkeeping

NOTE 11 - CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2020.

B. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on the School for fiscal year 2020.

As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

**TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL
LAWRENCE COUNTY, OHIO**

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

NOTE 11 - CONTINGENCIES - (Continued)

C. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2020.

NOTE 12 - OPERATING LEASE - LESSEE DISCLOSURE

The School has entered into a lease to rent a building from the Lawrence Economic Development Corporation. The initial lease term is five years, from June 1, 2017 through May 31, 2022. The School has the right to extend the lease for an additional five year term upon 90 days notice prior to the end of the initial lease term. The School is responsible for paying utilities and repairs and maintenance, as well as maintaining liability insurance for the leased property.

Lease payments in fiscal year 2020 amounted to \$17,800. The following is a schedule of the future minimum payments required under the initial term of the lease:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2021	\$ 18,542
2022	<u>24,475</u>
Total future minium payments	<u>\$ 43,017</u>

NOTE 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact the School's funding and operations in subsequent periods. However, the impact on the School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Tri-State STEM+M Early College High School
Lawrence County
702 Solida Road
South Point, Ohio 45680

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Tri-State STEM+M Early College High School, Lawrence County, (the School) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 18, 2020, wherein we noted the School considered the financial impact of COVID-19 as disclosed in Note 13.

Internal Control Over Financial Reporting

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

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

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

Tri-State STEM+M Early College High School
Lawrence County
Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliancy and Other Matters Required
By *Government Auditing Standards*

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shannon E. Snow, Inc.

December 18, 2020
Newark, Ohio

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OHIO AUDITOR OF STATE KEITH FABER



TRI-STATE STEM+M EARLY COLLEGE HIGH SCHOOL

LAWRENCE 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 1/28/2021

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

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