



OHIO AUDITOR OF STATE
KEITH FABER



**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
<u>For the Year Ended December 31, 2020:</u>	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
<u>For the Year Ended December 31, 2019:</u>	
Management's Discussion and Analysis	19
Basic Financial Statements:	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows	25
Notes to the Basic Financial Statements	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

iSTEM Geauga Early College High School
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the iSTEM Geauga Early College High School, Lake County, Ohio (the School), as of and for the years ended June 30, 2020 and 2019, 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the iSTEM Geauga Early College High School, Lake County, Ohio as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years 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 continuing emergency measures may 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 March 18, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2021

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management’s discussion and analysis of the iSTEM Geauga Early College High School’s (the “School”) financial performance provides an overall review of the School’s financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School’s financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School’s financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- Net position at June 30, 2020 was \$1,125,541.
- The School had total revenues of \$1,532,230, including operating revenues of \$1,412,193 and non-operating revenues of \$120,037; these revenues did not support operating expenses of \$1,789,467 and non-operating expenses of \$4,349 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 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, 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 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 10-17 of this report.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

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

Net Position		
	2020	2019
<u>Assets</u>		
Current assets	\$ 962,540	\$ 843,233
Capital assets, net	269,755	690,998
Total assets	1,232,295	1,534,231
<u>Liabilities</u>		
Current liabilities	106,754	147,104
Total liabilities	106,754	147,104
<u>Net position</u>		
Net investment in capital assets	269,755	690,998
Restricted	48,027	214,788
Unrestricted	807,759	481,341
Total net position	\$ 1,125,541	\$ 1,387,127

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2020, the School's assets exceeded liabilities by \$1,125,541.

Assets

Current assets consist primarily of intergovernmental receivables. The intergovernmental receivables at June 30, 2020, consisted of fiscal year 2020 Full Time Equivalent (FTE) adjustments to state foundation funding and federal assistance (CCIP) which eligibility requirements have been met (earned). The School's capital assets consisted of building improvements and furniture, fixtures, and equipment at June 30, 2020. Capital assets are used to provide services to the students and are not available for future spending, therefore the School's net investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist primarily of amounts due to other governments for services. There were no long-term liabilities at the end of fiscal year 2020.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

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	\$ 1,346,592	\$ 1,228,516
Classroom materials and fees	65,601	37,333
Total operating revenues	1,412,193	1,265,849
<u>Operating expenses:</u>		
Purchased services	1,287,065	1,213,162
Materials and supplies	46,264	25,868
Other	7,073	13,148
Depreciation	449,065	449,077
Total operating expenses	1,789,467	1,701,255
<u>Non-operating revenues (expenses):</u>		
State grants	78,376	8,583
Contributions and donations	41,661	876
Loss on disposal of capital assets	(4,349)	(6,830)
Total non-operating revenues (expenses)	115,688	2,629
Change in net position	(261,586)	(432,777)
Net position at the beginning of the year	1,387,127	1,819,904
Net position at the end of the year	\$ 1,125,541	\$ 1,387,127

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 FTE students reported by the schools. The School's FTE was 188 in fiscal year 2020 compared to 179 in fiscal year 2019. The other sources of revenue include classroom materials and fees, state grants, and contributions and donations.

The main component of expenses for the School is purchased services, which accounted for 71.92% of all operating expenses in fiscal year 2020. These expenses consist primarily of salaries and wages paid to the Educational Service Center of the Western Reserve for teachers and administrators for the operation of the School (see Note 6 in the notes to the basic financial statements for detail).

Capital Assets

At June 30, 2020, the School's capital assets consisted of furniture, fixtures and equipment and buildings and improvements in the amount of \$269,755 (net of accumulated depreciation). The School recognized \$449,065 in depreciation expense in 2020, capital asset additions of \$32,171, and capital asset disposals of \$4,349 (net of accumulated depreciation). Refer to Note 4 in the notes to the basic financial statements for more detail on the School's capital assets.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

Current Issues

The School receives approximately 96 percent of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. 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 2021 is approximately \$1,280,000.

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: Ms. Sue Sotkovsky, Treasurer of the iSTEM Geauga Early College High School, at 8221 Auburn Rd., Concord Township, Ohio 44077.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

Assets:	
Current assets:	
Cash with fiscal agent	\$ 933,499
Receivables:	
Intergovernmental	<u>29,041</u>
Total current assets	<u>962,540</u>
Non-current assets:	
Depreciable capital assets, net.	<u>269,755</u>
Total assets.	<u>1,232,295</u>
Liabilities:	
Current liabilities:	
Intergovernmental payable.	<u>106,754</u>
Total liabilities	<u>106,754</u>
Net position:	
Net investment in capital assets.	269,755
Restricted for:	
Locally funded programs.	4,847
State programs	25,000
Federal programs	18,180
Unrestricted.	<u>807,759</u>
Total net position	<u><u>\$ 1,125,541</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

Operating revenues:	
State foundation	\$ 1,346,592
Classroom materials and fees	65,601
Total operating revenues.	1,412,193
Operating expenses:	
Purchased services.	1,287,065
Materials and supplies.	46,264
Other.	7,073
Depreciation.	449,065
Total operating expenses.	1,789,467
Operating loss	(377,274)
Non-operating revenues (expenses):	
State grants	78,376
Contributions and donations.	41,661
Loss on disposal of capital assets	(4,349)
Total nonoperating revenues (expenses)	115,688
Change in net position	(261,586)
Net position at beginning of year.	1,387,127
Net position at end of year	\$ 1,125,541

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

Cash flows from operating activities:	
Cash received from State Foundation	\$ 1,341,185
Cash received from classroom materials and fees	65,601
Cash payments for purchased services.	(1,112,627)
Cash payments for materials and supplies	(46,264)
Cash payments for other expenses	(7,073)
	240,822
Cash flows from noncapital financing activities:	
Cash received from State grants	68,196
Cash received from contributions and donations	41,661
Repayment of loan from fiscal agent.	2,394
	112,251
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(32,171)
	(32,171)
Net increase in cash and cash equivalents	320,902
Cash and cash equivalents at beginning of year.	612,597
Cash and cash equivalents at end of year	\$ 933,499
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (377,274)
Adjustments:	
Depreciation	449,065
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable.	(5,407)
Decrease in prepayments	214,788
(Decrease) in intergovernmental payable	(40,350)
	240,822
Net cash provided by operating activities	\$ 240,822

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE 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

iSTEM Geauga Early College High School (the “School”) is a legally separate nonprofit corporation served by an appointed five-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. The School began operations on August 12, 2015. The School is a small, intellectual public STEM school 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 School was open to ninth grade students throughout Geauga and Lake counties 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.

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

The Educational Service Center of the Western Reserve serves as the School’s fiscal agent (See Note 6.A).

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).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**STEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

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

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

The Educational Service Center of the Western Reserve (ESC) is the custodian for the School's cash and cash equivalents. The ESC's cash and investment pool holds the School's cash and cash equivalents, which are reported at the ESC's carrying amount. Deposits and investments disclosures for the ESC as a whole may be obtained from the ESC Treasurer, Greg Slemmons, 8221 Auburn Rd., Concord Township, Ohio 44077.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

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

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. The School had no prepayments as of June 30, 2020.

G. Capital Assets

The School's capital assets during fiscal year 2020 consisted of building improvements and furniture, fixtures and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School maintains a capitalization threshold of \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method over useful lives ranging from 5-10 years.

H. Net Position

Net position represents the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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. Net position restricted for other purposes represents amounts restricted for 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

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

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 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 financial statements.

K. 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.

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 neither transaction for fiscal year 2020.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2020, consist of an intergovernmental receivable consist of federal assistance (CCIP) which eligibility requirements have been met (earned) and foundation due from ODE. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The intergovernmental receivable is comprised as follows:

Receivables:	
State foundation program	\$ 18,861
Federal assistance (CCIP)	<u>10,180</u>
Total	<u><u>\$ 29,041</u></u>

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

NOTE 4 - CAPITAL ASSETS

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

	Balance 06/30/19	Additions	Reductions	Balance 06/30/20
Capital assets, being depreciated:				
Building improvements	\$ 1,709,347	\$ -	\$ -	\$ 1,709,347
Furniture, fixtures and equipment	<u>668,674</u>	<u>32,171</u>	<u>(4,405)</u>	<u>696,440</u>
Total capital assets being depreciated	<u>2,378,021</u>	<u>32,171</u>	<u>(4,405)</u>	<u>2,405,787</u>
Less: accumulated depreciation				
Building improvements	(1,295,541)	(333,060)	-	(1,628,601)
Furniture, fixtures and equipment	<u>(391,482)</u>	<u>(116,005)</u>	<u>56</u>	<u>(507,431)</u>
Total accumulated depreciation	<u>(1,687,023)</u>	<u>(449,065)</u>	<u>56</u>	<u>(2,136,032)</u>
Capital assets, net	<u>\$ 690,998</u>	<u>\$ (416,894)</u>	<u>\$ (4,349)</u>	<u>\$ 269,755</u>

NOTE 5 - PURCHASED SERVICES

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

Professional and technical services	\$ 1,222,663
Property services	4,365
Travel mileage and meetings	1,000
Communications	14,438
Pupil transportation services	<u>44,599</u>
Total	<u>\$ 1,287,065</u>

NOTE 6 - SERVICE AGREEMENTS

A. Educational Service Center of the Western Reserve

The School entered into an agreement with Geauga County Educational Service Center for the period July 1, 2015 through June 30, 2020. In November 2019, Geauga County Educational Service Center entered into a resolution to merge with the Lake County Educational Service Center effective January 1, 2020. The new center, the Educational Service Center of the Western Reserve (ESC), continued to be the fiscal agent for the School. The ESC provides the following services:

- Fiscal services - payroll and benefits for all staff, accounts payable and receivable, attend all board meetings and document minutes, and prepare monthly financial statements.
- IEP services - speech and language, occupational therapy, adaptive physical education, and/or physical therapy.
- Liability insurance - \$5,000 towards the first annual premium.
- Straight A Grant/iSTEM administrator services for grant management and administrative services.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

NOTE 6 - SERVICE AGREEMENTS - (Continued)

The School will compensate the ESC in an amount not to exceed \$159,000 for the term of the agreement. Monies not expended by June 30, 2020, must be returned to the Ohio Department of Education, Straight A Grant Department, Columbus, Ohio.

B. Lake Geauga Computer Association

The ESC, on behalf of the School, entered into an agreement with Lake Geauga Computer Association (LGCA) for the period July 1, 2015 through June 30, 2020, to provide the following services and technical assistance for the School:

- LGCA software services
- EMIS coordinator support
- Video conferencing equipment support
- Reflections software for fiscal services

The School will compensate LGCA in an amount not to exceed \$99,500 for the term of the agreement. Monies not expended by June 30, 2020, were returned to the Ohio Department of Education, Straight A Grant Department, Columbus, Ohio.

C. iSTEM Geauga ECHS and Career Readiness Consortium

The ESC and the Auburn Career Center formed the Geauga County Innovational and Career Readiness Consortium (Consortium) for the following purposes:

- To benefit students as learning environments become more inquiry based, more connected to real world careers, and more coherent as academic content is delivered in interdisciplinary format.
- To coordinate activities in support of the establishment and operations of a new high school named the iSTEM Geauga Early College High School.
- To provide students with a high school option to pursue their education in a 21st century learning environment, utilizing STEM methodologies and philosophies, early college options, and career experiences.
- Create satellite high school 21st century classes in consortia districts through collaborate through video conferencing with the iSTEM teachers.
- To provide 7th and 8th grade students with a career exploration curriculum among teachers, industry partners and the Auburn Career Center.
- Create face-to-face and online professional development for local educators in leading innovation, problem-based learning, interdisciplinary curriculum design and implementation, as well as digital content design and integration into high school curriculum.
- The ESC was awarded a Straight A grant to establish the Consortium.

Commitments:

- The iSTEM school shall be established on the premises of the Auburn Career Center located at 8221 Auburn Road, Concord Township, Ohio 44077. Rent and utilities will not be charged for the duration of the grant period from August 1, 2014 through June 30, 2020, at which time these items will be re-negotiated. The School entered into a new rental lease agreement for classroom space effective July 1, 2020, see Note 9 for details.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

NOTE 6 - SERVICE AGREEMENTS - (Continued)

- The ESC and Auburn Career Center mutually agree to:
 - Coordinate activities in support of the establishment and operation of the School.
 - Adapt local policy as necessary to remove barriers, enable innovation, and create necessary partnerships to establish and implement the School.
 - Create a strategic plan to direct and establish measurable outcomes for the launch and initial years of operation of the School.
 - Secure the participation of social service agencies, early college options through college plus, community organizations, and workforce interests in the School.
 - Adopt and implement state standards.
 - Document and share on an on-going basis, how policy and practice, and structures are being adapted, changed, or created to support implementation of the School and will forward evidence of the impact on learners.
- \$450,000 of the Straight A funding will be used for the establishment of a Quest/FAB Lab.

The agreement will begin on August 1, 2014 and shall terminate on June 30, 2020, unless terminated before that date by either party pursuant to the agreement. The dates reflected in this term match the funding dates for the award of the Straight A grant.

The ESC, as fiscal agent for the School, compensated the Auburn Career Center in an amount not to exceed \$922,475 for services and expenses for the term of the agreement. Monies not expended by June 30, 2020, were returned to the Ohio Department of Education, Straight A Grant Department, Columbus, Ohio.

NOTE 7 - 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. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

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

NOTE 7 - CONTINGENCIES - (Continued)

As a result of the first fiscal year 2020 ODE adjustments, the School is due \$18,861 from ODE. This amount has been reported as an intergovernmental receivable in the financial statements. As a result of the second fiscal year 2020 ODE adjustments, the School owes \$7 to ODE.

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 8 - ACCOUNTABILITY AND COMPLIANCE

A. 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 improve 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 9 - SIGNIFICANT SUBSEQUENT EVENTS

The ESC on behalf of the School entered into a new rental lease agreement for classroom space with Riverside Local District, effective July 1, 2020. The School will be located at 1800 Mentor Avenue, Painesville, OH 44077.

NOTE 10 - 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 continuing emergency measures may impact subsequent periods of the School. The School's investments of the pension and other employee benefit plan in which the School participates fluctuate 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 School's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

This page intentionally left blank.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The management’s discussion and analysis of the iSTEM Geauga Early College High School’s (the “School”) financial performance provides an overall review of the School’s financial activities for the fiscal year ended June 30, 2019. 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.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Net position at June 30, 2019 was \$1,387,127.
- The School had total revenues of \$1,275,308, including operating revenues of \$1,265,849 and non-operating revenues of \$9,459; these revenues did not support operating expenses of \$1,701,255 and non-operating expenses of \$6,830 during fiscal year 2019.

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 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 2019?” 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 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 23 and 24 of this report. The statement of cash flows can be found on page 25.

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 26-33 of this report.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The table below provides a summary of the School's net position at June 30, 2019 and June 30, 2018.

Net Position		
	2019	2018
<u>Assets</u>		
Current assets	\$ 843,233	\$ 795,041
Capital assets, net	690,998	1,090,126
Total assets	1,534,231	1,885,167
<u>Liabilities</u>		
Current liabilities	147,104	65,263
Total liabilities	147,104	65,263
<u>Net position</u>		
Net investment in capital assets	690,998	1,090,126
Restricted	214,788	431,116
Unrestricted	481,341	298,662
Total net position	\$ 1,387,127	\$ 1,819,904

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2019, the School's assets exceeded liabilities by \$1,387,127. Of this total, \$214,788 is restricted in use.

Assets

Current assets consist primarily of prepayments, intergovernmental receivables and loan receivable from the School's fiscal agent. The intergovernmental receivables at June 30, 2019, consisted of fiscal year 2019 Full Time Equivalent (FTE) adjustments to state foundation funding. The School's capital assets consisted of building improvements and furniture, fixtures, and equipment at June 30, 2019. Capital assets are used to provide services to the students and are not available for future spending, therefore the School's net investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist primarily of amounts due to other governments for services. There were no long-term liabilities at the end of fiscal year 2019.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following table shows the changes in net position for fiscal years 2019 and 2018.

Change in Net Position

	2019	2018
<u>Operating revenues:</u>		
State Foundation	\$ 1,228,516	\$ 996,224
Classroom materials and fees	37,333	30,819
Total operating revenues	1,265,849	1,027,043
<u>Operating expenses:</u>		
Purchased services	1,213,162	960,087
Materials and supplies	25,868	6,809
Other	13,148	13,119
Depreciation	449,077	446,132
Total operating expenses	1,701,255	1,426,147
<u>Non-operating revenues (expenses):</u>		
State grants	8,583	6,199
Contributions and donations	876	9,603
Loss on disposal of capital assets	(6,830)	-
Total non-operating revenues (expenses)	2,629	15,802
Change in net position	(432,777)	(383,302)
Net position at the beginning of the year	1,819,904	2,203,206
Net position at the end of the year	\$ 1,387,127	\$ 1,819,904

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 FTE students reported by the schools. The School's FTE was 179 in fiscal year 2019 compared to 141 in fiscal year 2018. The other sources of revenue include classroom materials and fees, State grants, and contributions and donations.

The main component of expenses for the School is purchased services, which accounted for 71.31% of all operating expenses in fiscal year 2019. These expenses consist primarily of salaries and wages paid to the Geauga County Educational Service Center for teachers and administrators for the operation of the School (see Note 6 in the notes to the basic financial statements for detail).

Capital Assets

At June 30, 2019, the School's capital assets consisted of furniture, fixtures and equipment and buildings and improvements in the amount of \$690,998 (net of accumulated depreciation). The School recognized \$449,077 in depreciation expense in 2019, capital asset additions of \$56,779, and capital asset disposals of \$6,830 (net of accumulated depreciation). Refer to Note 4 in the notes to the basic financial statements for more detail on the School's capital assets.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Issues

The School receives approximately 96 percent of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. 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 2019 is approximately \$1,320,000.

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: Ms. Sue Sotkovsky, Treasurer of the iSTEM Geauga Early College High School, at 8221 Auburn Rd., Concord Township, Ohio 44077.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

Assets:	
Current assets:	
Cash with fiscal agent	\$ 612,597
Receivables:	
Intergovernmental	13,454
Loan	2,394
Prepayments.	<u>214,788</u>
Total current assets	<u>843,233</u>
Non-current assets:	
Depreciable capital assets, net.	<u>690,998</u>
Total assets.	<u>1,534,231</u>
Liabilities:	
Current liabilities:	
Intergovernmental payable.	<u>147,104</u>
Total liabilities	<u>147,104</u>
Net position:	
Net investment in capital assets.	690,998
Restricted for:	
Restricted for state programs	214,788
Unrestricted.	<u>481,341</u>
Total net position	<u><u>\$ 1,387,127</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating revenues:	
State foundation	\$ 1,228,516
Classroom materials and fees	37,333
Total operating revenues.	<u>1,265,849</u>
 Operating expenses:	
Purchased services.	1,213,162
Materials and supplies.	25,868
Other.	13,148
Depreciation.	449,077
Total operating expenses.	<u>1,701,255</u>
 Operating loss	 <u>(435,406)</u>
 Non-operating revenues (expenses):	
State grants	8,583
Contributions and donations.	876
Loss on disposal of capital assets	(6,830)
Total nonoperating revenues (expenses)	<u>2,629</u>
 Change in net position	 (432,777)
 Net position at beginning of year.	 <u>1,819,904</u>
 Net position at end of year	 <u><u>\$ 1,387,127</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Cash received from State Foundation	\$ 1,240,038
Cash received from classroom materials and fees	37,333
Cash payments for purchased services.	(914,784)
Cash payments for materials and supplies	(26,077)
Cash payments for other expenses	(13,148)
	323,362
Cash flows from noncapital financing activities:	
Cash received from State grants	8,583
Cash received from contributions and donations	876
Loan to fiscal agent.	(2,394)
	7,065
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(56,779)
	(56,779)
Net increase in cash and cash equivalents	273,648
Cash and cash equivalents at beginning of year.	338,949
Cash and cash equivalents at end of year	\$ 612,597
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (435,406)
Adjustments:	
Depreciation	449,077
Changes in assets and liabilities:	
Decrease in intergovernmental receivable.	11,522
Decrease in prepayments	216,328
(Decrease) in accounts payable	(209)
Increase in intergovernmental payable	82,050
	82,050
Net cash provided by operating activities	\$ 323,362

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

iSTEM Geauga Early College High School (the “School”) is a legally separate nonprofit corporation served by an appointed five-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. The School began operations on August 12, 2015. The School is a small, intellectual public STEM school 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 School was open to ninth grade students throughout Geauga and Lake counties 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.

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

The Geauga County Educational Service Center serves as the School’s fiscal agent (See Note 6.A).

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).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**STEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

The Geauga County Educational Service Center (ESC) is the custodian for the School's cash and cash equivalents. The ESC's cash and investment pool holds the School's cash and cash equivalents, which are reported at the ESC's carrying amount. Deposits and investments disclosures for the ESC as a whole may be obtained from the Geauga County ESC Treasurer, Greg Slemons, 8221 Auburn Rd., Concord Township, Ohio 44077.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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. The School has reported \$214,788 in prepayments for various multi-year start-up purchased services contracts, including the agreements described in Note 6, funded through the Straight A grant.

G. Capital Assets

The School's capital assets during fiscal year 2019 consisted of building improvements and furniture, fixtures and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School maintains a capitalization threshold of \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method over useful lives ranging from 5-10 years.

H. Net Position

Net position represents the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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. Net position restricted for other purposes represents amounts restricted for 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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 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 financial statements.

K. 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.

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 neither transaction for fiscal year 2019.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2019, consist of an intergovernmental receivable from ODE and a loan outstanding to the School's fiscal agent. All receivables are considered collectible in full and are expected to be collected within the subsequent year. The intergovernmental receivable is comprised as follows:

Receivables:	
State foundation program	\$ 13,454
Loan	<u>2,394</u>
Total	<u><u>\$ 15,848</u></u>

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19
Capital assets, being depreciated:				
Building improvements	\$ 1,709,347	\$ -	\$ -	\$ 1,709,347
Furniture, fixtures and equipment	<u>625,554</u>	<u>56,779</u>	<u>(13,659)</u>	<u>668,674</u>
Total capital assets being depreciated	<u>2,334,901</u>	<u>56,779</u>	<u>(13,659)</u>	<u>2,378,021</u>
Less: accumulated depreciation				
Building improvements	(962,480)	(333,061)	-	(1,295,541)
Furniture, fixtures and equipment	<u>(282,295)</u>	<u>(116,016)</u>	<u>6,829</u>	<u>(391,482)</u>
Total accumulated depreciation	<u>(1,244,775)</u>	<u>(449,077)</u>	<u>6,829</u>	<u>(1,687,023)</u>
Capital assets, net	<u>\$ 1,090,126</u>	<u>\$ (392,298)</u>	<u>\$ (6,830)</u>	<u>\$ 690,998</u>

NOTE 5 - PURCHASED SERVICES

For fiscal year ended June 30, 2019, purchased services expenses were as follows:

Professional and technical services	\$ 1,150,143
Property services	2,775
Travel mileage and meetings	956
Communications	2,075
Pupil transportation services	<u>57,213</u>
Total	<u>\$ 1,213,162</u>

NOTE 6 - SERVICE AGREEMENTS

A. Geauga County Educational Service Center

The School entered into an agreement with the Geauga County Education Service Center (ESC) for the period July 1, 2015 through June 30, 2020, to provide the following services:

- Fiscal services - payroll and benefits for all staff, accounts payable and receivable, attend all board meetings and document minutes, and prepare monthly financial statements.
- IEP services - speech and language, occupational therapy, adaptive physical education, and/or physical therapy.
- Liability insurance - \$5,000 towards the first annual premium.
- Straight A Grant/iSTEM administrator services for grant management and administrative services.

The School will compensate the ESC in an amount not to exceed \$159,000 for the term of the agreement. Monies not expended by June 30, 2020, must be returned to the Ohio Department of Education, Straight A Grant Department, Columbus, Ohio.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6 - SERVICE AGREEMENTS - (Continued)

B. Lake Geauga Computer Association

The ESC, on behalf of the School, entered into an agreement with Lake Geauga Computer Association (LGCA) for the period July 1, 2015 through June 30, 2020, to provide the following services and technical assistance for the School:

- LGCA software services
- EMIS coordinator support
- Video conferencing equipment support
- Reflections software for fiscal services

The School will compensate LGCA in an amount not to exceed \$99,500 for the term of the agreement. Monies not expended by June 30, 2020, must be returned to the Ohio Department of Education, Straight A Grant Department, Columbus, Ohio.

C. iSTEM Geauga ECHS and Career Readiness Consortium

The ESC and the Auburn Career Center formed the Geauga County Innovational and Career Readiness Consortium (Consortium) for the following purposes:

- To benefit students as learning environments become more inquiry based, more connected to real world careers, and more coherent as academic content is delivered in interdisciplinary format.
- To coordinate activities in support of the establishment and operations of a new high school named the iSTEM Geauga Early College High School.
- To provide students with a high school option to pursue their education in a 21st century learning environment, utilizing STEM methodologies and philosophies, early college options, and career experiences.
- Create satellite high school 21st century classes in consortia districts through collaborate through video conferencing with the iSTEM teachers.
- To provide 7th and 8th grade students with a career exploration curriculum among teachers, industry partners and the Auburn Career Center.
- Create face-to-face and online professional development for local educators in leading innovation, problem-based learning, interdisciplinary curriculum design and implementation, as well as digital content design and integration into high school curriculum.
- The ESC was awarded a Straight A grant to establish the Consortium.

Commitments:

- The iSTEM school shall be established on the premises of the Auburn Career Center located at 8221 Auburn Road, Concord Township, Ohio 44077. Rent and utilities will not be charged for the duration of the grant period from August 1, 2014 through June 30, 2020, at which time these items will be re-negotiated.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6 - SERVICE AGREEMENTS - (Continued)

- The ESC and Auburn Career Center mutually agree to:
 - Coordinate activities in support of the establishment and operation of the School.
 - Adapt local policy as necessary to remove barriers, enable innovation, and create necessary partnerships to establish and implement the School.
 - Create a strategic plan to direct and establish measurable outcomes for the launch and initial years of operation of the School.
 - Secure the participation of social service agencies, early college options through college plus, community organizations, and workforce interests in the School.
 - Adopt and implement state standards.
 - Document and share on an on-going basis, how policy and practice, and structures are being adapted, changed, or created to support implementation of the School and will forward evidence of the impact on learners.
- \$450,000 of the Straight A funding will be used for the establishment of a Quest/FAB Lab.

The agreement will begin on August 1, 2014 and shall terminate on June 30, 2020, unless terminated before that date by either party pursuant to the agreement. The dates reflected in this term match the funding dates for the award of the Straight A grant.

The ESC, as fiscal agent for the School, will compensate Auburn Career Center in an amount not to exceed \$922,475 for services and expenses for the term of the agreement. Monies not expended by June 30, 2020, must be returned to the Ohio Department of Education, Straight A Grant Department, Columbus, Ohio.

NOTE 7 - 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, 2019.

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. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - CONTINGENCIES - (Continued)

As a result of the first fiscal year 2019 ODE adjustments, the School is due \$13,454 from ODE. This amount has been reported as an intergovernmental receivable in the financial statements. As a result of the second fiscal year 2020 ODE adjustments, the School owes \$33 to ODE.

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, 2019.

NOTE 8 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the School has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School.

NOTE 9 - SIGNIFICANT SUBSEQUENT EVENTS

In November 2019, the School's fiscal agent, the Geauga County Educational Service Center, entered into a resolution to merge with the Lake County Educational Service Center effective January 1, 2020. The new center, named the Educational Service Center of the Western Reserve, will continue to be the fiscal agent for the School.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

iSTEM Geauga Early College High School
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

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 iSTEM Geauga Early College High School, Lake County, Ohio (the School) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 18, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

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 opinions 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.

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.



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2021

OHIO AUDITOR OF STATE KEITH FABER



ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/6/2021

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