



OHIO AUDITOR OF STATE  
**KEITH FABER**





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

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

iSTEM Geauga Early County High School  
Lake County  
1800 Mentor Avenue  
Painesville, Ohio 44077

To the Governing Board:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and 2021, and the changes in financial position and its cashflows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

As discussed in Note 9 to the financial statements for 2022, and Note 8 to the financial statements for 2021, 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.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 31, 2023

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**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL**  
**LAKE COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**  
**(Unaudited)**

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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, 2022. 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 2022 are as follows:

- Net position at June 30, 2022 was \$554,599.
- The School had total revenues of \$1,422,053, including operating revenues of \$1,166,264 and non-operating revenues of \$255,789. The School had operating and non-operating expenses of \$1,734,759 during fiscal year 2022.

### **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 2022?" 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 9 and 10 of this report. The statement of cash flows can be found on page 11.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL**  
**LAKE COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**  
**(Unaudited)**

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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 12-20 of this report.

The table below provides a summary of the School's net position at June 30, 2022 and June 30, 2021.

	<b>Net Position</b>	
	<u>2022</u>	<u>2021</u>
<b><u>Assets</u></b>		
Current assets	\$ 653,747	\$ 874,940
Capital assets, net	<u>549,784</u>	<u>168,646</u>
Total assets	<u>1,203,531</u>	<u>1,043,586</u>
<b><u>Liabilities</u></b>		
Current liabilities	254,521	176,281
Long-term liabilities	<u>394,411</u>	<u>-</u>
Total liabilities	<u>648,932</u>	<u>176,281</u>
<b><u>Net position</u></b>		
Net investment in capital assets	134,586	168,646
Restricted	9,698	184
Unrestricted	<u>410,315</u>	<u>698,475</u>
Total net position	<u>\$ 554,599</u>	<u>\$ 867,305</u>

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2022, the School's assets exceeded liabilities by \$554,599.

**Assets**

Current assets consist primarily of intergovernmental receivable. The intergovernmental receivables at June 30, 2022, consisted of fiscal year 2022 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 a building, building improvements, and furniture, fixtures, and equipment at June 30, 2022. 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL**  
**LAKE COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**  
**(Unaudited)**

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**Liabilities**

Current liabilities consist primarily of amounts due to other governments for services. The long-term liabilities at the end of the fiscal year was for notes payable.

The following table shows the changes in net position for fiscal years 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b><u>Operating revenues:</u></b>		
State Foundation	\$ 1,118,172	\$ 1,314,233
Classroom materials and fees	37,186	53,405
Other Operating Revenues	<u>10,906</u>	<u>38,664</u>
Total operating revenues	<u>1,166,264</u>	<u>1,406,302</u>
<b><u>Operating expenses:</u></b>		
Purchased services	1,552,469	1,548,497
Materials and supplies	89,836	87,349
Other	38,694	47,886
Depreciation	<u>43,862</u>	<u>101,109</u>
Total operating expenses	<u>1,724,861</u>	<u>1,784,841</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and State Grants	245,337	106,348
Interest (Expense)	(9,898)	-
Contributions and donations	<u>10,452</u>	<u>13,955</u>
Total non-operating revenues (expenses)	<u>245,891</u>	<u>120,303</u>
Change in net position	<u>(312,706)</u>	<u>(258,236)</u>
Net position at the beginning of the year	<u>867,305</u>	<u>1,125,541</u>
Net position at the end of the year	<u>\$ 554,599</u>	<u>\$ 867,305</u>

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 186 in fiscal year 2022 compared to 188 in fiscal year 2021. 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 90% of all operating expenses in fiscal year 2022. 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).

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

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**Capital Assets**

At June 30, 2022, the School's capital assets consisted of furniture, fixtures and equipment and buildings and improvements in the amount of \$549,784 (net of accumulated depreciation). The School recognized \$43,862 in depreciation expense in 2022. Refer to Note 4 in the notes to the basic financial statements for more detail on the School's capital assets.

**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.

**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: Treasurer of the iSTEM Geauga Early College High School, at 8221 Auburn Rd., Painesville, Ohio 44077.

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iStem Geauga Early College High School  
Statement of Net Position  
June 30, 2022

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Assets:

Current Assets:

Cash with Fiscal Agent	\$628,694
Receivables:	
Intergovernmental	25,053

Total Current Assets 653,747

Noncurrent Assets:

Depreciable Capital Assets, Net	549,784
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Total Noncurrent Assets 549,784

Total Assets 1,203,531

Liabilities:

Current Liabilities:

Accounts Payable	16,622
Intergovernmental payable	217,112
Note Payable	20,787

Total Current Liabilities 254,521

Long-Term Liabilities:

Note Payable, Net of Current Portion	394,411
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Total Long-Term Liabilities 394,411

Total Liabilities 648,932

Net Position:

Net Investment in Capital Assets	134,586
Restricted	9,698
Unrestricted	410,315

Total Net Position \$554,599

See accompanying notes to the basic financial statements.

iStem Geauga Early College High School  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2022

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Operating Revenues:	
State Foundation	\$1,118,172
Classroom Materials and Fees	37,186
Other Operating Revenues	10,906
Total Operating Revenues	<u>1,166,264</u>
Operating Expenses:	
Purchased Services	1,552,469
Materials and Supplies	89,836
Other	38,694
Depreciation	43,862
Total Operating Expenses	<u>1,724,861</u>
Operating (Loss)	<u>(558,597)</u>
Non-Operating Revenues (Expenses):	
Interest (Expense)	(9,898)
Federal and State Grants	245,337
Contributions and Donations	10,452
Total Non-Operating Revenues	<u>245,891</u>
Change in Net Position	(312,706)
Net Position - Beginning of Year	<u>867,305</u>
Net Position - End of Year	<u><u>\$554,599</u></u>

See accompanying notes to the basic financial statements.

iStem Geauga Early College High School  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2022

Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$1,114,329
Cash Received from Classroom Materials and Fees	37,676
Cash Received from Other Operating Revenue	10,906
Cash Payments to Purchased Services	(1,504,224)
Cash Payments for Materials and Supplies	(83,393)
Cash Payments for Other Expenses	(35,929)
Net Cash (Used) in Operating Activities	<u>(460,635)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants	245,337
Cash received from Contributions and Donations	10,452
Net Cash Provided by Noncapital Financing Activities	<u>255,789</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(425,000)
Debt Proceeds	425,000
Debt Principal Payments	(9,802)
Debt Interest Payments	(9,898)
Net Cash (Used) in Capital and Related Financing Activities	<u>(19,700)</u>
Net (Decrease) in Cash and Cash Equivalents	(224,546)
Cash and Cash Equivalents - Beginning of Year	<u>853,240</u>
Cash and Cash Equivalents - End of Year	<u><u>\$628,694</u></u>
Reconciliation of Operating (Loss) to Net Cash Gained in Operating Activities:	
Operating (Loss)	(\$558,597)
Adjustments:	
Depreciation	43,862
Changes in Assets and Liabilities and deferred Inflows and Outflows:	
(Increase) Decrease in Intergovernmental Receivables	(3,353)
Increase (Decrease) in Payables	16,622
Increase (Decrease) in Intergovernmental Payable	40,831
Net Cash (Used) in Operating Activities	<u><u>(\$460,635)</u></u>

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, 2022**

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**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 21<sup>st</sup> 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 7.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.



**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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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.

**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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**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 Slemons, 8221 Auburn Rd., Painesville, Ohio 44077.

**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, 2022.

**G. Capital Assets**

The School's capital assets during fiscal year 2022 consisted of a building, 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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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 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**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 2022.

**NOTE 3 - RECEIVABLES**

All receivables are considered collectible in full and are expected to be collected within the subsequent year. Receivables at June 30, 2022, consist of classroom materials and fees due to the School and foundation due from ODE. The accounts and intergovernmental receivable are comprised as follows:

Receivables:	
State foundation program	\$ 25,053
Total Receivables	<u>\$ 25,053</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, being depreciated:				
Building and Building improvements	\$ 1,709,347	\$ 425,000	\$ -	\$ 2,134,347
Furniture, fixtures and equipment	696,440	-	-	696,440
Total capital assets being depreciated	<u>2,405,787</u>	<u>425,000</u>	<u>-</u>	<u>2,830,787</u>
Less: accumulated depreciation				
Building and Building improvements	(1,665,301)	(30,059)	-	(1,695,360)
Furniture, fixtures and equipment	(571,840)	(13,803)	-	(585,643)
Total accumulated depreciation	<u>(2,237,141)</u>	<u>(43,862)</u>	<u>-</u>	<u>(2,281,003)</u>
Capital assets, net	<u>\$ 168,646</u>	<u>\$ 381,138</u>	<u>\$ -</u>	<u>\$ 549,784</u>

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**NOTE 5 – LONG-TERM LIABILITIES**

The change in the District’s long-term obligation during the year consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
2022 Notes Payable	\$0	\$425,000	(\$9,802)	\$415,198	\$20,787
Total	<u>\$0</u>	<u>\$425,000</u>	<u>(\$9,802)</u>	<u>\$415,198</u>	<u>\$20,787</u>

**2022 Notes Payable**

The 2022 notes payable was issued to purchase the Hadden Elementary Building for the School. The payment schedule commenced on September 3, 2021 and will expire September 3, 2036.

The payment schedule consists of the following:

Notes Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$20,787	\$15,377	\$36,164
2024	21,574	14,590	36,164
2025	22,391	13,774	36,165
2026	23,238	12,926	36,164
2027	24,547	12,046	36,593
2028-2032	140,932	45,358	186,290
2033-2037	<u>161,729</u>	<u>15,539</u>	<u>177,268</u>
Total	<u>\$415,198</u>	<u>\$129,610</u>	<u>\$544,808</u>

**NOTE 6 - PURCHASED SERVICES**

For fiscal year ended June 30, 2022, purchased services expenses were as follows:

Professional and technical services	\$ 1,470,555
Property services	1,537
Travel mileage and meetings	1,529
Communications	7,317
Pupil transportation services	<u>71,531</u>
Total	<u>\$ 1,552,469</u>

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**NOTE 7 - SERVICE AGREEMENTS**

**A. Educational Service Center of the Western Reserve**

The School entered into an agreement with the Educational Service Center of the Western Reserve (ESC), beginning July 1, 2021 to continue 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, grant management, attend all board meetings and document minutes, and prepare monthly financial statements.
- Administrative and program support
- IEP services – included but not limited to speech and language, occupational therapy, vocational service, adaptive physical education, and/or physical therapy.

The School will compensate the ESC based upon request and services rendered through an invoice process.

**B. Lake/Geauga Computer Association**

The School entered into an agreement with Lake/Geauga Computer Association (LGCA) Beginning July 1, 2021 to provide the following services and technical assistance for the School:

- LGCA software services
- EMIS coordinator support
- ERate and internet connectivity
- State Redesign software for fiscal services

The School will compensate the LGCA based upon request and services rendered through an invoice process.

**C. Geauga iSTEM 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.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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- To provide students with a high school option to pursue their education in a 21<sup>st</sup> century learning environment, utilizing STEM methodologies and philosophies, early college options, and career experiences.
- Create satellite high school 21<sup>st</sup> century classes in consortia districts through collaborate through video conferencing with the iSTEM teachers.
- To provide 7<sup>th</sup> and 8<sup>th</sup> 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 Riverside Local District located at 1800 Mentor Avenue, Painesville, Ohio 44077. This agreement was effective as of July 1, 2020.
- The ESC and Riverside Local District 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.

The ESC, as fiscal agent for the School, will compensated the Riverside Local District based upon request and services rendered through an invoice process.

**NOTE 8 - 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, 2022.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**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. ODE performed such a review on the School for fiscal year 2022.

The School is due \$25,053 and owes \$113,547 from the fiscal year 2022 reviews to-date. These amounts have been reported as an intergovernmental receivable and intergovernmental payable, respectively.

As of the date of this report, additional ODE adjustments for fiscal year 2022 were finalized. The impact of the FTE adjustments on the fiscal year 2022 financial statements is immaterial to the School.

**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, 2022.

**NOTE 9 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2022, the School received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the School. The impact on the School's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.



**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)**

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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, 2021. 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 2021 are as follows:

- Net position at June 30, 2021 was \$867,305.
- The School had total revenues of \$1,526,605, including operating revenues of \$1,406,302 and non-operating revenues of \$120,303; these revenues did not support operating expenses of \$1,784,841 during fiscal year 2021.

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

These two statements report the 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 25 and 26 of this report. The statement of cash flows can be found on page 27.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL**  
**LAKE COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**(Unaudited)**

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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 28-36 of this report.

The table below provides a summary of the School's net position at June 30, 2021 and June 30, 2020.

	<b>Net Position</b>	
	<u>2021</u>	<u>2020</u>
<b><u>Assets</u></b>		
Current assets	\$ 874,940	\$ 962,540
Capital assets, net	<u>168,646</u>	<u>269,755</u>
Total assets	<u>1,043,586</u>	<u>1,232,295</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>176,281</u>	<u>106,754</u>
Total liabilities	<u>176,281</u>	<u>106,754</u>
<b><u>Net position</u></b>		
Net investment in capital assets	168,646	269,755
Restricted	184	48,027
Unrestricted	<u>698,475</u>	<u>807,759</u>
Total net position	<u>\$ 867,305</u>	<u>\$ 1,125,541</u>

Over time, net position can serve as a useful indicator of an entity's financial position. At June 30, 2021, the School's assets exceeded liabilities by \$867,305.

**Assets**

Current assets consist primarily of intergovernmental receivables. The intergovernmental receivables at June 30, 2021, consisted of fiscal year 2021 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, 2021. 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 2021.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL**  
**LAKE COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
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The following table shows the changes in net position for fiscal years 2021 and 2020.

	<b>Change in Net Position</b>	
	<u>2021</u>	<u>2020</u>
<b><u>Operating revenues:</u></b>		
State Foundation	\$ 1,314,233	\$ 1,346,592
Classroom materials and fees	53,405	65,601
Other Operating Revenues	<u>38,664</u>	<u>-</u>
Total operating revenues	<u>1,406,302</u>	<u>1,412,193</u>
<b><u>Operating expenses:</u></b>		
Purchased services	1,548,497	1,287,065
Materials and supplies	87,349	46,264
Other	47,886	7,073
Depreciation	<u>101,109</u>	<u>449,065</u>
Total operating expenses	<u>1,784,841</u>	<u>1,789,467</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and State Grants	106,348	78,376
Contributions and donations	13,955	41,661
Loss on disposal of capital assets	<u>-</u>	<u>(4,349)</u>
Total non-operating revenues (expenses)	<u>120,303</u>	<u>115,688</u>
Change in net position	<u>(258,236)</u>	<u>(261,586)</u>
Net position at the beginning of the year	<u>1,125,541</u>	<u>1,387,127</u>
Net position at the end of the year	<u>\$ 867,305</u>	<u>\$ 1,125,541</u>

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 186 in fiscal year 2021 compared to 188 in fiscal year 2020. 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 86.76% of all operating expenses in fiscal year 2021. 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).

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021  
(Unaudited)**

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**Capital Assets**

At June 30, 2021, the School's capital assets consisted of furniture, fixtures and equipment and buildings and improvements in the amount of \$168,646 (net of accumulated depreciation). The School recognized \$101,109 in depreciation expense in 2021, while having no capital asset additions or capital asset disposals. Refer to Note 4 in the notes to the basic financial statements for more detail on the School's capital assets.

**Current Issues**

The School receives approximately 93 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.

**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: Treasurer of the iSTEM Geauga Early College High School, at 8221 Auburn Rd., Painesville, Ohio 44077.

iStem Geauga Early College High School  
Statement of Net Position  
June 30, 2021

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Assets:

Current Assets:

Cash with Fiscal Agent	\$853,240
Receivables:	
Accounts	490
Intergovernmental	21,210

Total Current Assets 874,940

Noncurrent Assets:

Depreciable Capital Assets, Net	168,646
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Total Noncurrent Assets 168,646

Total Assets 1,043,586

Liabilities:

Current Liabilities:

Intergovernmental payable	176,281
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Total Liabilities 176,281

Net Position:

Net Investment in Capital Assets	168,646
Restricted	184
Unrestricted	698,475

Total Net Position \$867,305

See accompanying notes to the basic financial statements.

iStem Geauga Early College High School  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2021

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Operating Revenues:	
State Foundation	\$1,314,233
Classroom Materials and Fees	53,405
Other Operating Revenues	38,664
	<hr/>
Total Operating Revenues	1,406,302
	<hr/>
Operating Expenses:	
Purchased Services	1,548,497
Materials and Supplies	87,349
Other	47,886
Depreciation	101,109
	<hr/>
Total Operating Expenses	1,784,841
	<hr/>
Operating (Loss)	(378,539)
	<hr/>
Non-Operating Revenues (Expenses):	
Federal and State Grants	106,348
Contributions and Donations	13,955
	<hr/>
Total Non-Operating Revenues	120,303
	<hr/>
Change in Net Position	(258,236)
	<hr/>
Net Position - Beginning of Year	1,125,541
	<hr/>
Net Position - End of Year	\$867,305
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See accompanying notes to the basic financial statements.

iStem Geauga Early College High School  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2021

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Cash Flows from Operating Activities:	
Cash Received from State Foundation	\$1,311,884
Cash Received from Classroom Materials and Fees	52,915
Cash Received from Other Operating Revenue	38,664
Cash Payments to Purchased Services	(1,478,970)
Cash Payments for Materials and Supplies	(87,349)
Cash Payments for Other Expenses	(47,886)
Net Cash (Used) in Operating Activities	<u>(210,742)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Grants	116,528
Cash received from Contributions and Donations	13,955
Net Cash Provided by Noncapital Financing Activities	<u>130,483</u>
Net (Decrease) in Cash and Cash Equivalents	(80,259)
Cash and Cash Equivalents - Beginning of Year	<u>933,499</u>
Cash and Cash Equivalents - End of Year	<u><u>\$853,240</u></u>
Reconciliation of Operating (Loss) to Net Cash Gained in Operating Activities:	
Operating (Loss)	(\$378,539)
Adjustments:	
Depreciation	101,109
Changes in Assets & Liabilities and deferred Inflows and Outflows:	
(Increase) Decrease in Intergovernmental Receivables	(2,839)
Increase (Decrease) in Intergovernmental Payable	69,527
Net Cash (Used) in Operating Activities	<u><u>(\$210,742)</u></u>

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, 2021**

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**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 21<sup>st</sup> 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.



**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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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.

**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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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**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 Slemons, 8221 Auburn Rd., Painesville, Ohio 44077.

**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, 2021.

**G. Capital Assets**

The School's capital assets during fiscal year 2021 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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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 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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**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 2021.

**NOTE 3 - RECEIVABLES**

All receivables are considered collectible in full and are expected to be collected within the subsequent year. Receivables at June 30, 2021, consist of classroom materials and fees due to the School and foundation due from ODE. The accounts and intergovernmental receivable are comprised as follows:

Receivables:	
Classroom material and fees	\$ 490
State foundation program	<u>21,210</u>
Total Receivables	<u>\$ 21,700</u>

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, being depreciated:				
Building improvements	\$ 1,709,347	\$ -	\$ -	\$ 1,709,347
Furniture, fixtures and equipment	<u>696,440</u>	<u>-</u>	<u>-</u>	<u>696,440</u>
Total capital assets being depreciated	<u>2,405,787</u>	<u>-</u>	<u>-</u>	<u>2,405,787</u>
Less: accumulated depreciation				
Building improvements	(1,628,601)	(36,700)	-	(1,665,301)
Furniture, fixtures and equipment	<u>(507,431)</u>	<u>(64,409)</u>	<u>-</u>	<u>(571,840)</u>
Total accumulated depreciation	<u>(2,136,032)</u>	<u>(101,109)</u>	<u>-</u>	<u>(2,237,141)</u>
Capital assets, net	<u>\$ 269,755</u>	<u>\$ (101,109)</u>	<u>\$ -</u>	<u>\$ 168,646</u>

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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**NOTE 5 - PURCHASED SERVICES**

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

Professional and technical services	\$ 1,447,982
Property services	16,292
Travel mileage and meetings	770
Communications	8,912
Pupil transportation services	<u>74,541</u>
Total	<u>\$ 1,548,497</u>

**NOTE 6 - SERVICE AGREEMENTS**

**A. Educational Service Center of the Western Reserve**

The School entered into an agreement with the Educational Service Center of the Western Reserve (ESC), beginning July 1, 2021 to continue 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, grant management, attend all board meetings and document minutes, and prepare monthly financial statements.
- Administrative and program support
- IEP services – included but not limited to speech and language, occupational therapy, vocational service, adaptive physical education, and/or physical therapy.

The School will compensate the ESC based upon request and services rendered through an invoice process.

**B. Lake/Geauga Computer Association**

The School entered into an agreement with Lake/Geauga Computer Association (LGCA) Beginning July 1, 2021 to provide the following services and technical assistance for the School:

- LGCA software services
- EMIS coordinator support
- ERate and internet connectivity
- State Redesign software for fiscal services

The School will compensate the LGCA based upon request and services rendered through an invoice process.

**iSTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
LAKE COUNTY, OHIO  
Notes to the Basic Financial Statements  
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**C. Geauga iSTEM 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 21<sup>st</sup> century learning environment, utilizing STEM methodologies and philosophies, early college options, and career experiences.
- Create satellite high school 21<sup>st</sup> century classes in consortia districts through collaborate through video conferencing with the iSTEM teachers.
- To provide 7<sup>th</sup> and 8<sup>th</sup> 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 Riverside Local District located at 1800 Mentor Avenue, Painesville, Ohio 44077. This agreement was effective as of July 1, 2020.
- The ESC and Riverside Local District 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.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
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The ESC, as fiscal agent for the School, will compensated the Riverside Local District based upon request and services rendered through an invoice process.

**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, 2021.

**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. ODE performed such a review on the School for fiscal year 2021.

The School is due \$21,210 and owes \$74,343 from the fiscal year 2021 reviews to-date. These amounts have been reported as an intergovernmental receivable and intergovernmental payable, respectively.

As of the date of this report, additional ODE adjustments for fiscal year 2021 were finalized. The impact of the FTE adjustments on the fiscal year 2021 financial statements is immaterial to the School.

**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, 2021.

**ISTEM GEAUGA EARLY COLLEGE HIGH SCHOOL  
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Notes to the Basic Financial Statements  
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**NOTE 8 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**Note 9 – SUBSEQUENT EVENT**

For fiscal year 2022, School foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School were funded to the School who, in turn, made the payment to the respective school.





**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  
1800 Mentor Avenue  
Painesville, Ohio 44077

To the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2022 and 2021 and related notes to the financial statements, which collectively compare the schools basic financial statements and have issued our report thereon dated March 31, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School.

***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 31, 2023

# 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 4/18/2023**

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

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