

TRI-STATE STEM+M SCHOOL
(fka TRI-STATE STEM+M
EARLY COLLEGE HIGH SCHOOL)

LAWRENCE COUNTY

Regular Audit

For the Year Ended June 30, 2023





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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Tri-State STEM+M School, Lawrence County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 01, 2024

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**TRI-STATE STEM+M SCHOOL
LAWRENCE COUNTY
REGULAR AUDIT
For the Year Ending June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Tri-State STEM+M School (formerly known as Tri-State STEM+M Early College High School), Lawrence County, Ohio (the School), as of and for the year ended June 30, 2023, 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 Tri-State STEM+M School, Lawrence County, Ohio, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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 opinion. 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.

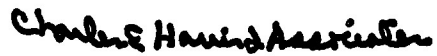
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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.



Charles E. Harris & Associates, Inc.
December 22, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

The management's discussion and analysis of the Tri-State STEM+M School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ending June 30, 2023. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance. The School began accepting students and State Foundation revenue in July of 2017 and fiscal year 2018 was the first year of the School's operations.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- Net position at June 30, 2023 was \$311,946, including unrestricted net position of \$149,470. This represents a decrease of \$7,493 compared to the prior fiscal year's net position.
- The School had total revenues of \$862,702, including operating revenues of \$633,675 and non-operating revenues of \$229,027; these revenues supported operating expenses of \$869,959 and non-operating expenses of \$236 during fiscal year 2023.

Using the Basic Financial Statements

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

Reporting the School's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2023?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 8 and 9 of this report. The statement of cash flows can be found on page 10.

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 12-18 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

The table below provides a summary of the School's net position at June 30, 2023 and 2022.

	2023	2022
<u>Assets</u>		
Current assets	\$ 398,455	\$ 390,970
Capital assets, net	4,187	5,355
Total assets	402,642	396,325
<u>Liabilities</u>		
Current liabilities	88,037	71,963
Non-current liabilities	2,659	4,923
Total liabilities	90,696	76,886
<u>Net position</u>		
Net investment in capital assets	177	60
Restricted	162,299	60,721
Unrestricted	149,470	258,658
Total net position	\$ 311,946	\$ 319,439

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the School's assets exceeded liabilities by \$311,946. Of this total, \$162,299 is restricted in use and \$149,470 is unrestricted.

Assets

Current assets as of June 30, 2023 consist of cash and cash equivalents, receivables, and prepayments. The School's capital assets consist of leased equipment. 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 of accounts payable, intergovernmental payable, and the current portion of the School's lease obligations. The intergovernmental payable is primarily amounts owed to the ESCCOG for expenses paid for salaries and benefits on behalf of the School. Non-current liabilities consist of the portion of the School's lease obligation that is not due within one year and a long-term intergovernmental payable to the ESCCOG.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

The following table shows the changes in net position for fiscal years 2023 and 2022.

Change in Net Position

	2023	2022
<u>Operating revenues:</u>		
State Foundation	\$ 612,191	\$ 614,070
Tuition and fees	17,690	13,950
Sales and charges for services	3,778	1,785
Miscellaneous	16	6
Total operating revenues	633,675	629,811
<u>Operating expenses:</u>		
Purchased services	774,929	694,860
Materials and supplies	65,630	36,834
Other	28,232	33,921
Amortization	1,168	1,168
Total operating expenses	869,959	766,783
<u>Non-operating revenues:</u>		
Federal, State and local grants	199,905	20,986
Interest earnings	886	45
Contributions and donations	28,236	42,494
Other financial assistance - forgiveness of Paycheck Protection Program loan	-	90,859
Interest and fiscal charges	(236)	(298)
Total non-operating revenues	228,791	154,086
Change in net position	(7,493)	17,114
Net position at the beginning of the fiscal year	319,439	302,325
Net position at the end of the fiscal year	\$ 311,946	\$ 319,439

As the preceding table illustrates, the School's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The School's FTE for fiscal year 2023 was 70 which is the same as 2022. Foundation revenue accounted for 96.6% of operating revenues and 71.0% of all revenues in fiscal year 2023. Tuition and fees revenue mostly consists of out-of-state tuition for the School's students from Kentucky and West Virginia. The School also receives grant revenue from Federal, State and local sources as well as various donations and contributions.

The main component of expenses for the School is purchased services, which accounted for 89.1% of all expenses in fiscal year 2023. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with the Educational Service Center Council of Governments. Refer to Note 7 in the notes to the basic financial statements for detail regarding the components of the School's purchased services expenses.

Capital Assets

As of June 30, 2023, the School's capital assets consist of intangible right to use assets for leased equipment in the amount of \$4,187 (net of accumulated amortization). Amortization expense for the year amounted to \$1,168. See Note 6 in the notes to the basic financial statements for detail on the school's capital assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)**

Debt Administration

Long-term debt outstanding for the School consists of a leases payable obligation. As of June 30, 2023, the balance is \$4,010, of which \$1,351 is due within one year. See Note 8 in the notes to the basic financial statements for detail on the lease.

Current Issues

The School receives approximately 96.6% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenue. Thus, the School is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The School's allocation for fiscal year 2023 is approximately \$740,000.

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 Tammy Rizzo, Treasurer, 2080 Citygate Drive, Columbus, Ohio 43219.

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

STATEMENT OF NET POSITION
JUNE 30, 2023

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 393,969
Receivables:	
Intergovernmental	290
Prepayments	<u>4,196</u>
Total current assets	<u>398,455</u>
Non-current assets:	
Capital assets being amortized, net	<u>4,187</u>
Total non-current assets	<u>4,187</u>
Total assets	<u>402,642</u>
 Liabilities:	
Current liabilities:	
Accounts payable	10,933
Leases payable	1,351
Intergovernmental payable	<u>75,753</u>
Total current liabilities	<u>88,037</u>
Non-current liabilities:	
Leases payable	<u>2,659</u>
Total non-current liabilities	<u>2,659</u>
Total liabilities	<u>90,696</u>
 Net position:	
Net investment in capital assets	177
Restricted for locally funded programs	9,999
Restricted for state funded programs	51,800
Restricted for federally funded programs	100,500
Unrestricted	<u>149,470</u>
Total net position	<u>\$ 311,946</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating revenues:	
State Foundation	\$ 612,191
Tuition and fees	17,690
Sales and charges for services	3,778
Miscellaneous	16
Total operating revenues	633,675
Operating expenses:	
Purchased services	774,929
Materials and supplies	65,630
Other	28,232
Amortization	1,168
Total operating expenses	869,959
Operating loss	(236,284)
Non-operating revenues (expenses):	
Federal, State and local grants	199,905
Interest revenue	886
Contributions and donations	28,236
Interest and fiscal charges	(236)
Total nonoperating revenues (expenses)	228,791
Change in net position	(7,493)
Net position at beginning of fiscal year	319,439
Net position at end of fiscal year	\$ 311,946

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from State Foundation	\$ 605,325
Cash received from tuition and fees	17,690
Cash received from sales and charges for services	3,778
Cash received from miscellaneous sources	16
Cash payments for purchased services	(755,891)
Cash payments for materials and supplies	(63,939)
Cash payments for other expenses	(27,737)
	(220,758)
Cash flows from noncapital financing activities:	
Cash received from Federal, State and local grants	199,812
Cash received from contributions and donations	28,236
	228,048
Cash flows from capital and related financing activities:	
Principal paid on leases	(1,285)
Interest paid on leases	(236)
	(1,521)
Cash flows from investing activities:	
Interest received	886
	886
Net cash provided by investing activities	886
Net decrease in cash and cash equivalents	6,655
Cash and cash equivalents at beginning of fiscal year	387,314
Cash and cash equivalents at end of fiscal year	\$ 393,969
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (236,284)
Adjustments:	
Amortization	1,168
Changes in assets and liabilities:	
Increase in intergovernmental receivable	(83)
Increase in prepayments	(654)
Increase in accounts payable	1,832
Increase in intergovernmental payable	13,263
	13,263
Net cash used in operating activities	\$ (220,758)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

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

The Educational Service Center Council of Governments serves as the School’s fiscal agent (See Note 12).

Reporting Entity:

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Measurement Focus

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

C. Basis of Accounting

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

D. Budgetary Process

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

E. Cash and Cash Equivalents

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

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

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The School had no investments during the fiscal year ended June 30, 2023.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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.

G. Capital Assets

Capital assets include equipment with original cost of \$5,000 or more. Such assets are recorded at historical cost on the date of acquisition, or if acquired by gift, at acquisition value on the date of donation. The School's capital assets consist of intangible right to use assets for leased equipment. This is amortized using the straight-line method over the lease term of 6 years.

H. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position represents amounts restricted for State grants and various local grants.

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

I. Intergovernmental Revenue

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

L. Operating Revenues and Expenses

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The School had no extraordinary or special items during fiscal year 2023.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2023, the School has implemented GASB Statement No. 91, "*Conduit Debt Obligations*", GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", GASB Statement No. 96, "*Subscription Based Information Technology Arrangements*", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the School.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the School.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the School.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the School.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS

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

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

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2023, the carrying amount of all School deposits was \$393,969 and the bank balance was \$399,142. Of the bank balance, \$250,000 was covered by the FDIC and \$74,571 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. All statutory requirements for the deposit of money have been followed.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, the School's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2023 consist of intergovernmental grants and entitlements. All receivables are considered collectible in full and are expected to be collected within the subsequent year.

NOTE 6 - CAPITAL ASSETS

	<u>Balance</u> <u>06/30/22</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/23</u>
<i>Capital assets, being amortized:</i>				
Intangible right to use - leased equipment	\$ 7,010	-	-	\$ 7,010
<i>Less: accumulated amortization:</i>				
Intangible right to use - leased equipment	(1,655)	\$ (1,168)	-	(2,823)
Total capital assets, net	<u>\$ 5,355</u>	<u>\$ (1,168)</u>	<u>\$ -</u>	<u>\$ 4,187</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 - PURCHASED SERVICES

For fiscal year ended June 30, 2023, purchased services expenses were as follows:

Professional and technical services *	\$	676,833
Property services		4,513
Travel mileage and meetings		2,477
Communications		31,501
Utilities		16,657
Tuition		31,434
Other		11,514
Total	\$	<u>774,929</u>

* Professional and technical services includes \$536,353 in salary and benefit related expenses specific to School employees who are employed by the Educational Service Center Council of Governments.

NOTE 8 - LONG-TERM OBLIGATIONS

The following tables summarizes the School's long-term obligations activity in fiscal year 2023.

	<u>Balance at</u> <u>06/30/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/23</u>	<u>Due Within</u> <u>One Year</u>
Intergovernmental payable	\$ 10,925	\$ 4,337	\$ (10,012)	\$ 5,250	\$ 5,250
Leases payable	<u>5,295</u>	<u>-</u>	<u>(1,285)</u>	<u>4,010</u>	<u>1,351</u>
Total long-term obligations	<u>\$ 16,220</u>	<u>\$ 4,337</u>	<u>\$ (11,297)</u>	<u>\$ 9,260</u>	<u>\$ 6,601</u>

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

Leases payable: The School has entered into a lease agreement for the right to use copier equipment. The lease term is 63 months beginning on January 21, 2021. Payments are due monthly with the final payment due on April 21, 2026.

The following is a schedule of future lease payments under the agreement:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,351	\$ 170	\$ 1,521
2025	1,420	101	1,521
2026	<u>1,239</u>	<u>29</u>	<u>1,268</u>
Total	<u>\$ 4,010</u>	<u>\$ 300</u>	<u>\$ 4,310</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - INTERGOVERNMENTAL PAYABLE

As discussed in Note 8, a portion of the School’s intergovernmental payable liability represents a long-term payable to the ESCCOG. The following is a summary of other intergovernmental payables incurred by the School for fiscal year 2023:

Description	Amount
Payable to ESCCOG	\$ 55,693
College Credit Plus Adjustment Payable to the Ohio Department of Education	<u>14,810</u>
Total	<u>\$ 70,503</u>

NOTE 10 - RISK MANAGEMENT

The School is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2023, the school had general liability, property and public officials insurance through Scherer Mountain Insurance. Settled claims have not exceeded this commercial coverage and there has been no significant reduction in coverage compared to the prior fiscal year.

NOTE 11 - SCHOOL PERSONNEL

The School does not employ any personnel, but instead purchases services from the ESCCOG for teachers, administrators and office staff. All employee salary and benefits are paid by the ESCCOG and billed to the School on a monthly basis. As the employer of record, ESCCOG is responsible for remitting all employer taxes and pension expenses and has accrued the GASB 68 pension liability and GASB 75 OPEB liability for these personnel on its financial statements.

NOTE 12 - SERVICE AGREEMENT

The School entered into a service contract with the Educational Service Center Council of Governments (ESCCOG) for fiscal year 2023 to provide payroll, fiscal, and Comprehensive Continuous Improvement Plan (CCIP) consulting services. The ESCCOG shall perform the following services for the School in accordance with the services proposal:

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

NOTE 13 - 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, 2023.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 – CONTINGENCIES - (Continued)

B. State Foundation Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE review for the fiscal year 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.

As of the date of this report, additional ODE adjustments for fiscal year 2023 are finalized. The results of any ODE adjustments are nominal.

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, 2023.

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

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

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, the financial statements of the Tri-State STEM+M School, Lawrence County, Ohio (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 22, 2023.

Internal Control Over Financial Reporting

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

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

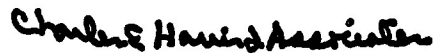
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 22, 2023

OHIO AUDITOR OF STATE KEITH FABER



TRI-STATE STEM+M SCHOOL

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/21/2024

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