



Dave Yost • Auditor of State

**BIO-MED SCIENCE ACADEMY
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

BIO-MED Science Academy, Inc
Portage County
4209 State Route 44
Rootstown, Ohio 44272

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Bio-Med Science Academy, Portage County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bio-Med Science Academy, Portage County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15, the School received a formal Science, Technology, Engineering and Math (STEM) designation which required the school to close as community school. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2014

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

As management of BIO-MED SCIENCE ACADEMY (the School), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole. Comparisons to prior year financials are not presented as this is the initial year of the School.

Financial Highlights

In August 2012, Bio-Med Science Academy opened its doors to 70 freshmen students in a year round high school that followed a STEM (Science, Technology, Engineering and Math) curriculum. In April 2013, the school received a formal STEM designation. This new designation required the community school to close and open a new STEM school. It is for this reason that the school was only open for one academic year.

The School was housed and operated by Northeast Ohio Medical University (NEOMED) in Rootstown, Ohio. The School did not have any employees, but instead leased all teachers and administrators from NEOMED. All bills were initially paid by NEOMED and total expenses were billed to the School monthly for reimbursement. There were no management fees, rent or utility expenses charged to the School.

The School has receivables totaling \$2,422 for federal school lunch program and state casino revenue earned in 2013, but not received until after June 30, 2013. As of yearend, the financial statements show a NEOMED Advances payable for \$366,773 reflecting the expenses not yet reimbursed by the School.

Using these 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, the Statement of Revenues, Expenses, and Changes in Fund Net Position* and the Statement of Cash Flows provide information about the School, including all financial resources and obligations.

Reporting the School Financial Activities

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

The *Statement of Net Position* presents information on all the School's assets and liabilities, with the difference being the net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. However, given that the School was closed as of June 30, 2013, this will be the last set of financial statements for the School.

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information showing how the School's net position changed during the year. This statement summarizes operating revenues and expenses, along with non-operating revenues and expenses.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The *Statement of Cash Flows* allows financial statement users to assess the School's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories (as applicable): 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

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

Finally, it should be noted that the School utilizes the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies in that it recognizes revenues and expenses when earned regardless of when cash is received or paid.

Financial Analysis

The following tables indicate the School's financial analysis:

Table 1 – Statement of Net Position

	<u>6/30/2013</u>
Assets	
Cash	\$ (859)
Federal School Lunch Prog. Receivable	859
State Casino Receivable	<u>1,563</u>
Total Assets	<u><u>1,563</u></u>
Liabilities	
NEOMED Advances Payable	<u>366,773</u>
Total Liabilities	<u><u>366,773</u></u>
Net Position	
Unrestricted	<u>(365,210)</u>
Total Net Position	<u><u>\$ (365,210)</u></u>

Over time, net position can serve as a useful indicator of a government's financial position. Since 2013 was the School's first year, there is no prior year to compare. In June, the amount due to NEOMED for the Federal School Lunch Program was paid to NEOMED before the Federal reimbursement was received.

The School owned no capital assets and did not have any long-term debt.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

NEOMED paid all payroll and expenses for the School and billed the School monthly for reimbursement. The \$366,773 in NEOMED Advances Payable is the amount due to NEOMED at the time of the school's closing on June 30, 2013.

Table 2 – Statement of Revenues, Expenses, and Changes in Fund Net Position

	<u>6/30/2013</u>
Operating revenues	\$ 451,625
Operating expenses	<u>816,835</u>
Change in fund net position	(365,210)
Net position at the beginning of the year	<u>-</u>
Net position at the beginning of the year	<u><u>\$(365,210)</u></u>

The School's revenues consisted of State Foundation payments and student class fees. Because the School was required to close once it received its designated status, it did not have the necessary time to earn enough money to cover the cost of the School's start up.

A majority of the School's overall expenses, 73.5% were for the salaries and benefits of the School's staff.

Capital Assets

At June 30, 2013, the School did not own any capital assets. All assets used by the school were paid for by NEOMED and were retained by NEOMED when the school closed.

Debt Administration

At June 30, 2013, the School had no debt obligations.

Current Financial Related Activities

The school was founded in October 2011 and operated as an independent, non-profit Ohio public charter school, sponsored by the Mahoning County Educational Service Center.

The School was funded through the State's foundation program, as it has no tax base to draw upon and cannot charge tuition, levy taxes, or issue bonds secured by tax revenues.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Contacting the School's Financial Management

This financial report is designed to provide our clients 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 any questions about this report or need additional financial information contact: Kathryn Chudakoff, Controller of NEOMED, Bio-Med Science Academy, 4209 State Route 44, Rootstown, Ohio, 44272.

Bio-Med Science Academy, Inc.
Statement of Net Position
June 30, 2013

	<u>2013</u>
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ -
Federal School Lunch Program Receivable	1,563
State Casino Receivable	<u>859</u>
Total current assets	2,422
Total assets	<u>\$ 2,422</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accrued liabilities	\$ 859
NEOMED Advances Payable	<u>366,773</u>
Total current liabilities	367,632
NET POSITION	
Unrestricted	<u>(365,210)</u>
Total net position	<u>(365,210)</u>
Total liabilities and net position	<u>\$ 2,422</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Bio-Med Science Academy, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Position
For Fiscal Years Ended June 30, 2013

	<u>2013</u>
Operating Revenues	
State Foundation Payments	\$ 417,653
State Casino Revenue	2,969
School Lunch Program	2,835
Misc Student Fees/Reimb	28,168
Total operating revenue	<u>451,625</u>
Operating Expenses	
Purchased Services	813,122
Materials & Supplies	54
Other	3,659
Total operating expenditures	<u>816,835</u>
Change in Net Position	(365,210)
Net position at the beginning of the year	<u>-</u>
Net position at the end of the year	<u>\$ (365,210)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Bio-Med Science Academy, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	<u>2013</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Cash received from other operating sources	\$ 1,976
Cash received from State of Ohio	419,060
Cash payments to management company	(449,129)
Cash payments for other operations	(934)
Cash received from misc student fees/reimb	20,142
Net cash (used for) operating activities	<u>(8,885)</u>
 Cash flows from non-capital financing activities:	
Non-capital financing inflow	859
Contributions & donations	8,026
Net cash provided by non-capital financing activities	<u>8,885</u>
 Net (decrease) in cash & cash equivalents	 -
 Cash & cash equivalents at the beginning of the year	 <u>-</u>
 Cash & cash equivalents at the end of the year	 <u>\$ -</u>
 Reconciliation to reconcile operating loss to net cash used for operating activities:	
Operating loss	\$ (365,210)
Change in assets & liabilities:	
(Increase) in assets:	
State casino receivable	(1,563)
School lunch program receivable	(859)
Increase in liabilities:	
Accrued Liability	859
NEOMED advances payable	366,773
Total adjustments	<u>365,210</u>
Net cash used for operating activities	<u>\$ -</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

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BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

BIO-MED SCIENCE ACADEMY (the School) is located in PORTAGE COUNTY is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The School is a year round school that provides a STEM (science, technology, engineering and math) curriculum. The School, which is part of the State's education program, is independent of any public school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

As further described in Note 5 to the financial statements, the School has contracted with Northeast Ohio Medical University (NEOMED) to employ and facilitate the day-to-day management of the School. NEOMED is a legally separate state university, the results of which are not reflected in these financial statements.

The governing boards of NEOMED and the School have completely different members, and two members of the School Board are appointed by NEOMED. In addition, up to 5 board members are nominated and elected from academic, community and business partners.

The School had been approved for operation under a contract with the Mahoning County Educational Service Center (the Sponsor). The contract was for a term ending June 30, 2015, but once the school was designated a STEM school, the contract ended as of June 30, 2013.

The School operates under a self-appointing Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor director by a majority vote of the then-existing directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (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 more significant of the School's 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 Fund 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.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows reflects how the school finances and meets cash flow needs. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are generally not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor, Mahoning County Educational Service Center, required a detailed budget in the form of a five-year forecast, as described in Ohio Revised Code Section 5705.391.

D. Cash and Investments

The School's revenues are received into a demand deposit account and had no investments.

E. Capital Assets and Depreciation

The School does not possess any capital assets. All capital assets used by the School belong to NEOMED as further described in Note 5.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs 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.

G. Intergovernmental Revenues

The School participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Current Liabilities

Accrued liabilities include amounts payable to NEOMED for reimbursements due for expenses paid on behalf of the School in accordance with the School's management contract as further described in Note 5.

I. Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The school had no restrictions on net position as of June 30, 2013.

NOTE 3 - DEPOSITS

At June 30, 2013 and 2012, the carrying amount of the School's deposits was (\$859), and the bank balance was \$0.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 and 2012 consisted of federal school lunch program and state casino revenue. All receivables are considered collectible in full, due to the stable condition of these programs.

NOTE 5 - AGREEMENT WITH NORTHEAST OHIO MEDICAL UNIVERSITY

The School has contracted with Northeast Ohio Medical University (NEOMED) to facilitate the day-to-day operations of the School. Per the agreement, NEOMED pays all costs associated with operating the School and bills the School monthly for expenses paid. Such costs include, but are not limited to: personnel (all teaching and administrative personnel are employees of NEOMED); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, supplies and legal services. NEOMED is also

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 5 - AGREEMENT WITH NORTHEAST OHIO MEDICAL UNIVERSITY (Continued)

responsible for the maintenance of the School's facility and utilities. See Note 13 for the amount of actual expenses incurred by NEOMED on behalf of the School.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

The School has contracted with NEOMED to provide all teaching and administrative personnel. Such personnel are employees of NEOMED; however, the School is responsible for monitoring and ensuring that NEOMED makes pension contributions on its behalf. The retirement systems consider NEOMED as the "Employer of Record", however the School is ultimately responsible for remitting retirement contributions to each of the systems noted below.

A. Ohio Public Employees Retirement System

On behalf of the School, NEOMED contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension plan. OPERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. OPERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting OPERS, 277 East Town Street, Columbus, Ohio 43215-46421 or by calling toll free (800) 222-7377. It is also posted on the OPERS' website at www.opers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. Based upon the recommendation of OPERS' actuary, a portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan employer contributions allocated to health care was 4.0% for 2012 and 2011. The portion of Combined Plan employer contributions allocated to health care was 6.05% for 2012 and 2011. The employer contribution as a percent of covered payroll deposited to OPERS for participants in the Member-Directed Plan for both 2012 and 2011 was 4.5%.

The contribution requirements of plan members and employers are established and may be amended by the OPERS Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension and healthcare obligations to OPERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,048, \$0, and \$0, respectively; 100% has been contributed for fiscal years 2013, 2012 and 2011.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

On behalf of the School, NEOMED also contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publically available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account.

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2013, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$54,578, \$0, and \$0, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employee Retirement System

OPERS provides post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying State service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS. The employer contribution rates allocated for health care for members in the Traditional Plan was 4.0% of covered payroll for 2012. For employees in the Combined Plan, the employer contribution rates allocated to health care was 6.05% for 2012.

OPERS benefits are advance-funded on an actuarially determined basis. As of December 31, 2011, OPERS reported the actuarially accrued liability and the unfunded actuarial accrued liability for Other Post Employment Benefits (OPEB) at \$31.0 billion and \$18.9 billion, respectively. Significant actuarial assumptions include a 5% investment return, a 3.75% individual pay increase, and healthcare costs are assumed to increase initially at 0% before rising to 7.5%. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. As of December 31, 2011, the actuarial value of the retirement system's net assets available for other post-employment benefits was \$12.1 billion. The number of active contributing participants in the traditional and combined plans was 348,235 as of December 31, 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,198, \$0 and \$0, respectively; 100% has been contributed for fiscal years 2013, 2012 and 2011.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 8 - OTHER BENEFITS

NEOMED has contracted with a private carrier to provide employees within the School medical/surgical benefits. NEOMED pays a portion of the monthly premium for full-time employees and for part-time employees depending on the employee's status. The employees are responsible for the remaining amounts. NEOMED's and the employees' monthly premiums vary depending upon family size and the level of coverage the employee selected.

NEOMED also allows employees to participate in 403(b) deferred annuities through seven vendors.

NOTE 9 - NEOMED ADVANCES PAYABLE

As of June 30, 2013 and 2012, the School had reimbursement for expenses payable to NEOMED of \$366,773 and \$0, respectively. These payables are to cover expenses incurred by NEOMED on the School's behalf. The School did not have own any capital assets or leases as of June 30, 2013. All fiscal services were performed by the NEOMED Controller and were billed to the School at an expense of \$1.

NOTE 10 - SPONSORSHIP AGREEMENT

Mahoning County ESC was the School's sponsor in FY13. For the period July 1, 2012 through June 30, 2013, the School paid expenses of \$8,353 to their sponsor. Of this amount, \$1 was paid for educational facility costs and \$8,352 was for sponsor fees.

NOTE 11 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with a commercial insurance company for property and general liability insurance. Property coverage carries a \$1,000 deductible, with the School's contents insured for \$250,000. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a \$2,500 deductible.

There were no claims reported in fiscal year 2013.

NOTE 12 - TAX EXEMPT STATUS

The School applied for its status as a tax exempt, non-profit organization under Internal Revenue Code Section 501(c)(3). The application was still being processed by the IRS when the school closed.

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)**

NOTE 13 - PURCHASED SERVICES

As per the agreement with NEOMED (see Note 5), NEOMED pays the School's expenses and billed the School monthly for reimbursement. The related "purchased services" expense totaled \$813,122 and \$0 for the years ended June 30, 2013 and 2012, respectively.

NEOMED incurred the following expenses on behalf of the School during fiscal year 2013:

	<u>2013</u>
Salaries	\$455,889
Benefits	74,378
Retirement	70,271
Consulting	94,962
Legal	42,584
Insurance	3,465
Advertising	4,276
Materials & supplies	56,207
Miscellaneous	<u>11,090</u>
Total	<u>\$813,122</u>

The School paid NEOMED \$1.00 (one dollar) for management services as agreed to in the Management Services Agreement.

NEOMED incurred the following in kind expenses during fiscal year 2013:

- A. Accounting services
- B. Information technology services
- C. Academic technology services
- D. Security services
- E. Facilities (maintenance) services
- F. Conference and food services (including a child nutrition program)
- G. Grant administration services
- H. Human resources services
- I. Occupational health and safety services

**BIO-MED SCIENCE ACADEMY, INC.
PORTAGE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 14 - CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. 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 conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2013 have not been calculated as of the audit date.

NOTE 15 - SCHOOL CLOSURE

In April 2013, the school received a formal Science, Technology, Engineering and Math (STEM) designation. This new designation required the community school to close and open a new STEM school. The school closed effective June 30, 2013. The contract with the Sponsor was for a term ending June 30, 2015, but once the school was designated a STEM school, the contract ended as of June 30, 2013. Existing liabilities and assets will be absorbed by the management company.

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Dave Yost • Auditor of State

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

BIO-MED Science Academy
Portage County
4209 State Route 44
Rootstown, Ohio 44272

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of BIO-MED Science Academy, Portage County, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 3, 2014 wherein we noted the School received a formal Science, Technology, Engineering and Math (STEM) designation and closed as a community school.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2014



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

BIO-MED Science Academy
Portage County
4209 State Route 44
Rootstown, Ohio 44272

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether BIO-MED Science Academy (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School did not amend its anti-harassment policy prior to closing as of June 30, 2013.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 3, 2014

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Dave Yost • Auditor of State

BIO-MED SCIENCE ACADEMY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2014**