

***BIO-MED SCIENCE ACADEMY STEM SCHOOL***

***PORTAGE COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2019**





OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Directors  
Bio-Med Science Academy STEM School  
4209 State Route 44  
Rootstown, Ohio 44272

We have reviewed the *Independent Auditor's Report* of the Bio-Med Science Academy STEM School, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. 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 Bio-Med Science Academy STEM School is responsible for compliance with these laws and regulations.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

February 6, 2020

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**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

Bio-Med Science Academy STEM School  
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 the Bio-Med Science Academy STEM School, Portage County, Ohio (the School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintaining internal control relevant to the 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 express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bio-Med Science Academy STEM School, Portage County, Ohio, as of June 30, 2019, and the 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.

***Other Matters***

***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 16, 2019, 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 16, 2019



**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The management's discussion and analysis of the Bio-Med Science Academy STEM School (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ending June 30, 2019. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

The School opened July 1, 2013 with the students from the previous Bio-Med Science Academy community school. The students were transferred to the School as sophomores and a new freshman class was added. As of August 2015, the School had students in all four high school grades and in June 2016 graduated its first senior class. In December 2016, the School signed a ten-year lease with the Village of Shalersville for the use of the former Shalersville Elementary School building. The building will be used to house the new Bio-Med Science Academy STEM School's Lower Academy. The new school opened for sixth through eighth grades in the Fall of 2017.

The School is housed by Northeast Ohio Medical University (NEOMED) in Rootstown, Ohio. The School does not have any employees, but instead leases all staff from NEOMED. NEOMED bills the School monthly for rent which includes maintenance, utility and common area expenses, as well as, salaries and benefits paid by NEOMED. In addition, the School has contracted with the Educational Service Center Council of Governments to act as the fiscal agent for the School.

**Financial Highlights**

Key financial highlights for fiscal year 2019 are as follows:

- Net position at June 30, 2019 was \$16,470,679. This represents an increase of \$15,683,950 compared to the prior year, which is mostly due to State and local grant funding for a facilities improvement project.
- The School had total revenues of \$20,516,551, including operating revenues of \$4,648,527 and non-operating revenues of \$15,868,024; these revenues supported operating expenses of \$4,831,667 and non-operating expenses of \$934 during fiscal year 2019.

**Using the Basic Financial Statements**

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

**Reporting the School Financial Activities**

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

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2019?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-21 of this report.

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

**Net Position**

	2019	2018
<b><u>Assets</u></b>		
Current assets	\$ 15,497,921	\$ 913,298
Capital assets, net	4,012,817	274,583
Total assets	19,510,738	1,187,881
<b><u>Liabilities</u></b>		
Current liabilities	3,028,374	384,861
Long-term liabilities	11,685	16,291
Total liabilities	3,040,059	401,152
<b><u>Net position</u></b>		
Net investment in capital assets	1,379,152	216,950
Restricted	14,340,305	5,785
Unrestricted	751,222	563,994
Total net position	\$ 16,470,679	\$ 786,729

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School's assets exceeded liabilities by \$16,470,679. Of this total, \$14,340,305 is restricted in use and \$751,222 is unrestricted.

**Assets**

Current assets at June 30, 2019 consist of cash and cash equivalents, receivables and prepayments. The School's capital assets consist of construction in progress, leasehold improvements, and equipment. Capital assets are used to provide services to the students and are not available for future spending; therefore, the School's investment in capital assets is presented as a separate component of net position.

The increase in both current assets and capital assets is primarily related to the School's facilities improvement project through the Ohio Facilities Construction Commission (OFCC). Current assets increased due to cash received from State and local grants as a result of the project, and intergovernmental receivables are reported at June 30, 2019 for the grant proceeds yet to be received. Capital assets consisting of construction in progress increased as the project got underway and the School began making payments to contractors.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Liabilities**

Current liabilities consist of accounts, intergovernmental and contracts payable, and the current portion of the School's capital lease obligation. Intergovernmental payables are primarily amounts owed to Northeast Ohio Medical University for expenses paid for salaries and benefits on behalf of the School. Contracts payable represent amounts owed to contractors for work completed on the construction project as of June 30, 2019. Non-current liabilities consist of a capital lease obligation for copiers.

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

**Change in Net Position**

	2019	2018
<b><u>Operating revenues:</u></b>		
State Foundation	\$ 4,452,872	\$ 4,227,719
Tuition and fees	166,232	118,768
Miscellaneous	29,423	26,957
Total operating revenues	4,648,527	4,373,444
<b><u>Operating expenses:</u></b>		
Purchased services	4,464,499	3,527,125
Materials and supplies	273,817	296,975
Other	51,896	64,756
Depreciation	41,455	34,055
Total operating expenses	4,831,667	3,922,911
<b><u>Non-operating revenues (expenses):</u></b>		
Federal, State and local grants	15,848,787	94,652
Interest earnings	19,237	86
Interest and fiscal charges	(934)	(1,044)
Loss on disposal of capital assets	-	(235,532)
Total non-operating revenues (expenses)	15,867,090	(141,838)
Change in net position	15,683,950	308,695
Net position at the beginning of the year	786,729	478,034
Net position at the end of the year	\$ 16,470,679	\$ 786,729

As the preceding table illustrates, the School's primary source of operating 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 2019 was 605 compared to 564 in 2018. Federal, State and local grants for fiscal year 2019 consist primarily of State and local grant funding for the aforementioned OFCC construction project. The total State share and local share grant revenue recognized in fiscal year 2019 was approximately \$12.4 million and \$3.0 million, respectively.

The main component of expenses for the School is purchased services, which accounted for 92.4% of all operating expenses in fiscal year 2019. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with NEOMED. Refer to Note 13 in the notes to the basic financial statements for additional detail on the components of purchased services expenses.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**Capital Assets**

At June 30, 2019, the School's capital assets consist of construction in progress, leasehold improvements and furniture and equipment in the amount of \$4,012,817 (net of accumulated depreciation). Capital asset acquisitions in fiscal year 2019 were mostly construction in progress payments for the new OFCC project and amounted to \$3,779,689. Depreciation expense for the year was \$41,455. See Note 5 in the notes to the basic financial statements for detail on the School's capital assets.

**Debt Administration**

The only long-term debt outstanding for the School is a capital lease obligation which was entered into during fiscal year 2018 in order to acquire copiers. At June 30, 2019, the balance of the lease is \$16,291, of which \$4,606 is due within one year. See Note 7 in the notes to the basic financial statements for detail on the lease.

**Current Issues**

The School receives approximately 96% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the School is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The School's allocation for fiscal year 2020 is approximately \$5.99 million.

**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 of the Bio-Med Science Academy STEM School, 2080 Citygate Drive, Columbus, Ohio 43219.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2019

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,025,144
Receivables:	
Accounts. . . . .	5,679
Intergovernmental . . . . .	11,428,038
Prepayments. . . . .	<u>39,060</u>
Total current assets . . . . .	<u>15,497,921</u>
Non-current assets:	
Land and construction in progress. . . . .	3,760,848
Depreciable capital assets, net. . . . .	<u>251,969</u>
Total non-current assets . . . . .	<u>4,012,817</u>
Total assets. . . . .	<u>19,510,738</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	31,014
Intergovernmental payable. . . . .	375,380
Contracts payable. . . . .	2,617,374
Capital lease payable. . . . .	<u>4,606</u>
Total current liabilities . . . . .	<u>3,028,374</u>
Non-current liabilities:	
Capital lease payable. . . . .	<u>11,685</u>
Total non-current liabilities . . . . .	<u>11,685</u>
Total liabilities . . . . .	<u>3,040,059</u>
<b>Net position:</b>	
Net investment in capital assets. . . . .	1,379,152
Restricted for capital projects. . . . .	14,267,530
Restricted for locally funded programs . . . . .	72,775
Unrestricted . . . . .	<u>751,222</u>
Total net position . . . . .	<u>\$ 16,470,679</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

<b>Operating revenues:</b>	
State Foundation . . . . .	\$ 4,452,872
Tuition and fees . . . . .	166,232
Miscellaneous . . . . .	29,423
Total operating revenues. . . . .	4,648,527
<b>Operating expenses:</b>	
Purchased services. . . . .	4,464,499
Materials and supplies. . . . .	273,817
Other. . . . .	51,896
Depreciation. . . . .	41,455
Total operating expenses. . . . .	4,831,667
Operating loss . . . . .	(183,140)
<b>Non-operating revenues (expenses):</b>	
Federal, State and local grants . . . . .	15,848,787
Interest earnings . . . . .	19,237
Interest and fiscal charges . . . . .	(934)
Total non-operating revenues (expenses). . . . .	15,867,090
Change in net position . . . . .	15,683,950
<b>Net position at beginning of year. . . . .</b>	<b>786,729</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 16,470,679</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

<b>Cash flows from operating activities:</b>	
Cash received from State Foundation . . . . .	\$ 4,436,650
Cash received from tuition and fees . . . . .	166,227
Cash received from miscellaneous sources. . . . .	29,423
Cash payments for purchased services. . . . .	(4,380,341)
Cash payments for materials and supplies . . . . .	(273,585)
Cash payments for other expenses . . . . .	(53,821)
	<hr/>
Net cash used in operating activities . . . . .	(75,447)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from Federal, State and local grants. . . . .	4,425,007
	<hr/>
Net cash provided by noncapital financing activities . . . . .	4,425,007
<b>Cash flows from capital and related financing activities:</b>	
Interest and fiscal charges . . . . .	(934)
Principal retirement on capital lease . . . . .	(4,382)
Acquisition of capital assets . . . . .	(1,199,275)
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Net cash used in capital and related financing activities . . . . .	(1,204,591)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	19,237
	<hr/>
Net cash provided by investing activities . . . . .	19,237
Net increase in cash and cash equivalents . . . . .	3,164,206
<b>Cash and cash equivalents at beginning of year. . . . .</b>	<b>860,938</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 4,025,144</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (183,140)
Adjustments:	
Depreciation . . . . .	41,455
Changes in assets and liabilities:	
Decrease in accounts receivable. . . . .	7,254
Decrease in intergovernmental receivable. . . . .	7,703
Increase in prepayments. . . . .	(11,594)
Increase in accounts payable . . . . .	18,345
Increase in intergovernmental payable . . . . .	54,300
Decrease in unearned revenue. . . . .	(9,770)
	<hr/>
Net cash provided by operating activities. . . . .	\$ (75,447)
	<hr/> <hr/>

**Non-cash transactions:**

At June 30, 2019, capital assets purchased on account amounted to \$2,617,374.  
At June 30, 2018, capital assets purchased on account amounted to \$36,960.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

Bio-Med Science Academy STEM School (the School), Portage County, 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. The School, which is a 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 9 to the financial statements, the School has contracted with Northeast Ohio Medical University (NEOMED) to employ office, teaching and administrative staff of the School. NEOMED is a legally separate state university, the results of which are not reflected in the financial statements.

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

The School operates under a self-appointed 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.

The Educational Service Center Council of Governments serves as the School's fiscal agent.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**B. 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 net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.



**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

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

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The School's basic financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded upon the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 first 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.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources. Expenses are recognized at the time they are incurred.

**D. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School did not have any deferred outflows of resources at fiscal year-end. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School had no deferred inflows of resources as of fiscal year-end.

**E. 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 Section 5705. Ohio Revised Code Section 5705.391 does require the School to prepare a five-year projection.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School is pooled in central bank accounts. Monies for the School are maintained in these accounts 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.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

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

During fiscal year 2019, the School invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**G. Accounts Receivable**

Accounts receivable consists of amounts due for the federal lunch program and student fees. Uncollectible amounts have been reserved and account receivable balances are shown net of the allowance for doubtful accounts.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**I. Capital Assets and Depreciation**

Capital assets include land, buildings and improvements, and furniture and equipment with original cost of \$2,500 or more. Such assets are recorded at the date of acquisition, or if acquired by gift, at an acquisition value at the date of donation.

Depreciation of School capital assets is calculated on a straight-line basis over the estimated useful life of 5-15 years for equipment and 20 years for leasehold improvements.

**J. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

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

**K. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity. For the School, these revenues are payments from the State Foundation Program and sales/charges for services. Operating expenses are necessary costs incurred to provide goods or services that are the primary activities of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**L. Intergovernmental Revenue**

The School participates in the State Foundation Program through the Ohio Department of Education. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements have been met. Revenues received from other State and Federal programs are recognized as non-operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first 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. Federal and State grant revenue for the fiscal year 2019 was \$20,301,659.

**M. Unearned Revenue**

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

**N. Estimates**

The preparation of basic financial statements in conformity with 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

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

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

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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 Notes, Bills, Bonds, 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 obligations or securities 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, Government National Mortgage Association, and Student Loan Marketing 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;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days;and

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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.

**A. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all School deposits was \$1,182,128 and the bank balance of all School deposits was \$1,213,833. Of the bank balance, \$250,804 was covered by the FDIC and \$481,515 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School to a successful claim by the FDIC.

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 fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the School's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

**B. Investments**

As of June 30, 2019, the School had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized Cost:</i>		
STAR Ohio	<u>\$ 2,843,016</u>	<u>\$ 2,843,016</u>

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The weighted average maturity of STAR Ohio is 53 days.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer.

**NOTE 5 - CAPITAL ASSETS**

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 3,760,848	\$ -	\$ 3,760,848
Total capital assets, not being depreciated	<u>-</u>	<u>3,760,848</u>	<u>-</u>	<u>3,760,848</u>
Capital assets, being depreciated:				
Leasehold improvements	161,671	-	-	161,671
Equipment	<u>194,689</u>	<u>18,841</u>	<u>-</u>	<u>213,530</u>
Total capital assets, being depreciated	<u>356,360</u>	<u>18,841</u>	<u>-</u>	<u>375,201</u>
Less: accumulated depreciation				
Leasehold improvements	(5,254)	(8,084)	-	(13,338)
Equipment	<u>(76,523)</u>	<u>(33,371)</u>	<u>-</u>	<u>(109,894)</u>
Total accumulated depreciation	<u>(81,777)</u>	<u>(41,455)</u>	<u>-</u>	<u>(123,232)</u>
Capital assets, net	<u>\$ 274,583</u>	<u>\$ 3,738,234</u>	<u>\$ -</u>	<u>\$ 4,012,817</u>

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2019 consist of tuition and fees for services provided, reimbursements and intergovernmental grants and entitlements. All receivables are considered collectible in full and are expected to be collected within the subsequent year.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE**

The School has entered into a lease agreement to acquire copiers which meets the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of \$24,502, which represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Accumulated depreciation on the equipment at June 30, 2019 was \$7,350, leaving a book value of \$17,152.

Principal and interest payments in fiscal year 2019 were \$4,382 and \$934, respectively. The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the future minimum lease payments as of June 30, 2019:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2020	\$ 5,316
2021	5,316
2022	5,316
2023	<u>1,772</u>
Total minimum lease payments	17,720
Less: amount representing interest	<u>(1,429)</u>
Present value of minimum lease payments	<u>\$ 16,291</u>

The following is a summary of the School's capital lease activity in fiscal year 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Capital lease	<u>\$ 20,673</u>	<u>\$ -</u>	<u>\$ (4,382)</u>	<u>\$ 16,291</u>	<u>\$ 4,606</u>

**NOTE 8 - 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 the past fiscal year, nor decreases in coverages.

**NOTE 9 - BIO-MED PERSONNEL**

The School does not employ any personnel, but instead purchases services from NEOMED for teachers, administrators and office staff. All employee salary and benefits are paid by NEOMED and billed to the School on a monthly basis. As NEOMED employees, NEOMED 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.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 10 - SERVICE AGREEMENT**

The School has entered into a service contract with the Educational Service Center Council of Governments (ESCCOG) for fiscal year 2019 to provide fiscal, Comprehensive Continuous Improvement Planning (CCIP), and Ohio Facilities Construction Commission consulting services. The ESCCOG shall perform the following services for the School in accordance with the services proposal:

- Month End Accounting
- Accounts Payable/Receivable
- Accounting/Fiscal Support/Tax Reporting/General Office Support
- EMIS/Recordkeeping
- Ohio Facilities Construction Commission Reporting

**NOTE 11 - RELATED PARTY TRANSACTIONS**

As of June 30, 2019, the School has reimbursement for expenses payable to NEOMED of \$349,958 which is reported as an intergovernmental payable. This payable is to cover payroll and benefit expenses incurred by NEOMED on the School's behalf.

**NOTE 12 - TAX EXEMPT STATUS**

The School has a tax exempt, non-profit organization under the Internal Revenue Code Section 501(c)(3).

**NOTE 13 - PURCHASED SERVICES**

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

Professional and technical services *	\$ 3,688,089
Property services	442,579
Travel mileage and meetings	25,250
Communications	87,961
Utilities	32,722
Contracted craft or trade	31,382
Tuition	52,327
Pupil transportation services	15,603
Other	<u>88,586</u>
Total	<u>\$ 4,464,499</u>

\* Professional and technical services includes \$3,425,843 in salary and benefit related expenses specific to School employees who are employed by NEOMED.



**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2019.

**B. State Foundation Funding**

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the School for fiscal year 2019.

As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

**C. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2019.

**NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE**

The School has entered into a lease to rent a building from Shalersville Township. The lease term is ten and one-half years, commencing on January 1, 2017 and ending on June 30, 2027. Lease payments are set at \$65,000 per year, payable bi-annually. The lease payments for the first year (2017) were prorated. Subsequent bi-annual payments of \$32,500 are due each January 1 and July 1. Lease payments in fiscal year 2019 amounted to \$65,000.

Effective July 1, 2017, the School entered into a lease to rent a building from NEOMED. The initial lease term is twenty years, with automatic one year renewals after the initial term, unless either party provides written notice of termination at least six months prior to the end of the initial term. NEOMED is responsible for utilities and normal maintenance and repairs.

**BIO-MED SCIENCE ACADEMY STEM SCHOOL  
PORTAGE COUNTY, OHIO**

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

**NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE - (Continued)**

Monthly lease payments are based on a fixed percent of the School's annual State Foundation basic aid revenue according to the following schedule:

<u>Fiscal Year</u>	<u>Percent</u>
2018	6%
2019-2020	8%
2021-2022	9%
2023	10%
2024	11%
2025-2037	12%

Lease payments in fiscal year 2019 amounted to \$174,401.

Effective February 1, 2019, the School entered into a lease to rent a building from Family & Community Services, Inc. for a term of twenty years, ending June 30, 2039. Monthly payments throughout the lease term are \$13,359 (\$160,312 annually). Lease payments in fiscal year 2019 amounted to \$66,797.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Bio-Med Science Academy STEM School  
Portage County  
4209 State Route 44  
Rootstown, Ohio 44272

To the Board of Directors:

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 Bio-Med Science Academy STEM School, Portage County, Ohio (the School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated December 16, 2019.

***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.

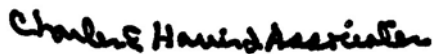
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 16, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**BIO-MED SCIENCE ACADEMY STEM SCHOOL**

**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  
FEBRUARY 18, 2020**