

**BROOKWOOD ACADEMY  
(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
For The Fiscal Year Ended June 30, 2014  
(UNAUDITED)**







# Dave Yost • Auditor of State

Governing Board  
Brookwood Academy  
2685 E Livingston Avenue  
Columbus, Ohio 43209

We have reviewed the *Independent Auditor's Report* of Brookwood Academy, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2013 through June 30, 2014. 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. Brookwood Academy is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 16, 2014

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Brookwood Academy  
(A Component Unit of Reynoldsburg City School District)  
FRANKLIN COUNTY, OHIO

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## INDEPENDENT AUDITOR'S REPORT

Brookwood Academy  
Franklin County  
2685 E Livingston Ave  
Columbus, Ohio 43209

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Brookwood Academy, Franklin County, Ohio (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy'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 the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash basis is acceptable for the circumstances. This responsibility also 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 Academy'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 Academy'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 modified cash financial position of Brookwood Academy, Franklin County, Ohio, as of June 30, 2014, and the changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplementary Information*

We audited to opine on the Academy's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position and changes in net position. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014 on our consideration of the Academy'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 Academy's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC  
November 10, 2014

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

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The management's discussion and analysis of Brookwood Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for the Academy are as follows:

- The total assets and net position of the Academy were \$13,116 as of June 30, 2014. Of this amount, \$10,613 (unrestricted net position) may be used to meet the Academy's ongoing obligations.
- The Academy's net position increased by \$4,035 during the fiscal year. The Academy's operating receipts of approximately \$2.9 million and non-operating receipts of \$605,682 exceeded operating disbursements of approximately \$3.4 million and non-operating disbursements of \$153,514.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's modified cash basis of accounting.

**Report Components**

The statement of net position and the statement of cash receipts, disbursements, and changes in net position provide information about the Academy as a whole.

The management's discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of two components: the financial statements and the notes to the financial statements.

The statement of net position and the statement of cash receipts, disbursements, and changes in net position reflect how the Academy did financially during the fiscal year. The change in net position is important because it tells the reader whether the modified cash position of the Academy has increased or decreased during the period.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements using the modified cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Academy's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid with the exception of investment purchases and sales of investments. The Academy had no investments at fiscal year-end.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Financial Analysis**

Table 1 provides a summary of the Academy's net position at fiscal year-end.

**Table 1**  
**Net Position at Year End**

	<u>2014</u>	<u>2013</u>
Assets:		
Cash and Cash Equivalents	\$ 13,116	\$ 9,081
Total Assets	<u>13,116</u>	<u>9,081</u>
Net Position:		
Restricted	2,503	4,398
Unrestricted	10,613	4,683
Total Net Position	<u>\$ 13,116</u>	<u>\$ 9,081</u>

The increase in Cash and Cash Equivalents represents the amount in which operating and non-operating receipts exceeded disbursements during the fiscal year.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

**Financial Analysis**

Table 2 shows the change in net position for the fiscal year ended June 30, 2014.

**Table 2**  
**Changes in Net Position**

	2014	2013
<b>Operating Receipts:</b>		
Foundation Receipts	\$ 2,936,360	\$ 2,666,840
Tuition and Fees	4,797	-
Total Operating Receipts	2,941,157	2,666,840
<b>Operating Disbursements:</b>		
Salaries and Wages	1,275,012	1,101,155
Fringe Benefits	306,102	253,693
Purchased Services	1,694,877	1,482,633
Materials and Supplies	112,197	2,645
Other	1,103	46,664
Total Operating Disbursements	3,389,291	2,886,790
Operating Loss	(448,134)	(219,950)
<b>Nonoperating Receipts/(Disbursements)</b>		
Federal and State Grants	399,271	116,291
Donations	36,865	40,200
Loan Proceeds	150,000	50,000
Miscellaneous Receipts	19,547	22,540
Debt Service:		
Principal Retirement	(149,726)	-
Interest and Fiscal Charges	(3,788)	-
Total Nonoperating Receipts	452,169	229,031
Change in Net Position	4,035	9,081
Net Position, Beginning of Year	9,081	-
Net Position, End of the Year	\$ 13,116	\$ 9,081

Operating and Nonoperating Receipts and Operating Disbursements all increased significantly in comparison with the prior fiscal year. These increases are primarily the result of increased enrollment.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Management's Discussion and Analysis  
For the Year Ended June 30, 2014  
(Unaudited)

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**Budget Highlights**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

**Current Financial Issues**

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding or operations of the Academy in future fiscal years due to the State's current economic environment. The Academy is expected to continue to grow in both the number of students, as well as the number of support staff, which will impact the Academy's funding since the Academy receives the majority of its finances from state aid.

**Contacting the Academy**

This financial report is designed to provide a general overview of the finances of Brookwood Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Brookwood Academy, 2685 East Livingston Avenue, Columbus, Ohio 43209.

**BROOKWOOD ACADEMY**  
**(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)**  
**FRANKLIN COUNTY**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
AS OF JUNE 30, 2014

<b>Assets</b>	
Cash and Cash Equivalents	\$ 13,116
Total Assets	<u>13,116</u>
 <b>Net Position</b>	
Restricted for:	
Federally Funded Programs	2,284
Other Programs	219
Unrestricted	<u>10,613</u>
Total Net Position	<u>\$ 13,116</u>

See accompanying notes to the basic financial statements.

**BROOKWOOD ACADEMY**  
**(A COMPONENT UNIT OF REYNOLDSBURG CITY SCHOOL DISTRICT)**  
**FRANKLIN COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN NET POSITION - MODIFIED CASH BASIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating Receipts:</b>	
State Foundation	\$ 2,936,360
Tuition and Fees	4,797
Total Operating Receipts	<u>2,941,157</u>
<b>Operating Disbursements:</b>	
Salaries and Wages	1,275,012
Fringe Benefits	306,102
Purchased Services	1,694,877
Materials and Supplies	112,197
Other	1,103
Total Operating Disbursements	<u>3,389,291</u>
Operating Loss	<u>(448,134)</u>
<b>Non-Operating Receipts:</b>	
Federal and State Grants	399,271
Donations	36,865
Loan Proceeds	150,000
Miscellaneous Receipts	19,547
Debt Service:	
Principal Retirement	(149,726)
Interest and Fiscal Charges	(3,788)
Total Non-Operating Receipts	<u>452,169</u>
Change in Net Position	4,035
Net Position at Beginning of Year	<u>9,081</u>
Net Position at End of Year	<u><u>\$ 13,116</u></u>

See accompanying notes to the basic financial statements.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

Brookwood Academy, Franklin County, Ohio (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702, to maintain and provide a high quality education to its students and contributes significantly to Ohio’s effort to provide quality education opportunities for learners in the areas of academic development, civic leadership, and a lifetime of productive work. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax exempt status. The Academy’s mission is to educate its students using a “classical” education model that empowers students to venture into the world armed with adequate academic and social skills to function in the adult world. The target student population consists of students, grades 3-12, who due to behavioral, academic, emotional and/or developmental issues struggle to be successful academically and/or socially in large group settings. These students are typically referred to as “at risk”, 504 plan and/or special education students. The Academy provides each student an individually tailored academic program that is implemented in a relatively small student body with classroom sizes from 4-8. The Academy may acquire facilities as needed and contract for any services necessary for operation.

The Academy is considered a component unit of the Reynoldsburg City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”.

The Academy was approved for operation under a contract with the Reynoldsburg City School District (the “Sponsor”) on May 21, 2012 to begin operation on July 1, 2012 for a period of one academic year and was renewed for a period of five years on May 21, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy is designed to operate under the direction of a self-appointed six-member Board of Directors (the “Board”). The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Board controls the Academy’s one instructional/support facility staffed by 9 non-certified staff members and 35 certificated teaching personnel who provide services to 151 students.

As discussed further in Note 2.B, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Academy’s accounting policies.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net position; and a statement of cash receipts, disbursements, and changes in net position. These statements are prepared on the modified cash basis of accounting as further described in Note 2 B.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, and financial position.

**B. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the modified cash basis of accounting. With the exception of investment purchases and sales, receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. The Academy had no investments at fiscal year-end.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**C. Budgetary Process**

Unlike other public Schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

**D. Cash and Cash Equivalents**

All monies received by the Academy are deposited in a demand deposit account.

For purposes of the presentation on the statement of net position, investments with maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**E. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets at fiscal year-end.

**F. Prepaid Items**

The Academy reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Inventory**

The Academy reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. These items are not reflected as liabilities in the accompanying financial statements.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Academy recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Accrued Liabilities and Long-Term Obligations**

The Academy's modified cash basis financial statements do not report liabilities for accrued liabilities and long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. The Academy had \$50,274 in outstanding debt as of June 30, 2014.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**L. Deferred Inflows and Outflows of Resources**

The Academy's modified cash basis financial statements do not report deferred outflows and inflows of resources. The Academy recognizes the disbursement for deferred outflows when they are paid and proceeds of deferred inflows are reported when cash is received.

**M. Net Position**

Net position represents cash. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had \$2,503 of restricted net position for Federally Funded Programs and Other Programs at fiscal year-end.

The Academy's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

**N. Operating Receipts and Disbursements**

Operating receipts are those revenues that are generated directly from the primary activity of the Academy. Operating disbursements are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All receipts and disbursements not meeting this definition are reported as non-operating.

**NOTE 3 - DEPOSITS**

At fiscal year-end, the carrying amount of the Academy's deposits was \$13,116 and the bank balance was \$15,277. The Academy's entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 4 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and 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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contribution for pension obligations to SERS for the fiscal years ended June 30, 2014 and 2013 were \$67,888 and \$59,994, respectively; which equals the required contribution for fiscal years 2014 and 2013.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public Schools of Ohio or any School, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**BROOKWOOD ACADEMY**  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 4 - PENSION PLANS - (Continued)**

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**BROOKWOOD ACADEMY**  
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**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 4 - PENSION PLANS - (Continued)**

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers. The Academy's required contribution for pension obligations for the fiscal years ended June 30, 2014 and 2013 were \$82,828 and \$63,119, respectively; which equals the required contribution for fiscal years 2014 and 2013.

**NOTE 5 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .75%. The Academy's required contribution for the fiscal years ended June 30, 2014 and 2013 were \$3,939 and \$3,389, respectively; which equals the required contribution for fiscal years 2014 and 2013.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 - POSTEMPLOYMENT BENEFITS - (Continued)**

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contribution assigned to health care for the fiscal years ended June 30, 2014 and 2013 were \$726 and \$733, respectively; which equals the required contribution for fiscal years 2014 and 2013.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy contributes to the cost-sharing, multiple employer postemployment 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 writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The Academy's contribution for health care for the fiscal years ended June 30, 2014 and 2013, were \$6,371 and \$4,855, respectively; which equals the required contribution for fiscal years 2014 and 2013.

**NOTE 6 - SPONSORSHIP AGREEMENT**

The Academy has entered into a sponsorship agreement with Reynoldsburg City School District (Sponsor) whereby the Sponsor shall receive compensation for services provided to the Academy. As part of this agreement, the Academy shall compensate the Sponsor three percent (3%) of the per-pupil allocation (foundation) paid to the Academy by the State of Ohio. For this fee, the Sponsor shall provide the Academy with fiscal oversight and administrative support related to the following:

- Monitor the Academy's compliance with all laws applicable to the Academy and with the terms of the contract;
- Monitor and evaluate the academic and fiscal performance and the organization and operation of the Academy at least once during the contract term;
- Report, by November 30, the results of evaluation conducted under the sponsorship agreement to the Ohio Department of Education and to the parents of students enrolled in the Academy;
- Provide technical assistance to the Academy in complying with laws applicable to the terms of the contract;
- Take steps to intervene in the Academy's operation, to the extent reasonable and within available resources, to correct problems in the Academy's overall performance, declare the Academy to be on probationary status pursuant to section 3314.073 of the Revised Code, suspend the operation of the Academy pursuant to section 3314.072 of the Revised Code, or terminate the contract of the Academy pursuant to section 3314.07 of the Revised Code as determined necessary; and
- Have in place a plan of action to be undertaken in the event the Academy experiences financial difficulties or closes prior to the end of the school year.

During the fiscal year, the Academy did not make payments to the Sponsor under this agreement due to lack of funding as of June 30, 2014. The amount due to the Sponsor under this agreement is \$122,038. The Academy also paid the Sponsor \$4,167 for fiscal services.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 7 – LEASE AGREEMENT**

On August 6, 2013, the Academy entered into a one-year agreement with Brookwood Presbyterian Church for the lease of office space and classrooms at the Brookwood Campus at Brookwood Presbyterian Church and the Calvin Campus at the Calvin Presbyterian Church. The monthly lease payments were \$10,000 for the Brookwood Campus and \$10,000 for the Calvin Campus. The agreement allows for payments to be made in part, delayed or waived by the Brookwood Presbyterian Church for any given month by the request of the Brookwood Academy. The Academy paid Brookwood Presbyterian Church \$225,000 for use of the space during fiscal year 2014.

**NOTE 8 – DEBT**

On April 29, 2013, the Academy opened a line of credit with US Bank. The credit limit of \$50,000 and has an annual percentage rate of 6.75%. The changes in the Academy’s obligation during the fiscal year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
US Bank Line of Credit	\$ 50,000	\$ 150,000	\$ (149,726)	\$ 50,274
	\$ 50,000	\$ 150,000	\$ (149,726)	\$ 50,274

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy maintains insurance coverage for rental/theft, general liability, contents liability. The general liability coverage is in the amount of \$2,000,000 aggregate.

Settled claims did not exceed these commercial coverage’s during the fiscal year. There was no significant reduction in amounts of insurance coverage during the fiscal year.

The Academy does not own real estate, but rents facilities located at 2685 East Livingston Avenue, Columbus, Ohio 43209 and 2900 Winchester Pike, Columbus, Ohio 43232.

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 10 - CONTINGENCIES**

**A. Grants**

The Academy 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at fiscal year-end.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews of enrollment data 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.

**C. Litigation**

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**NOTE 11 - PURCHASED SERVICES**

During the fiscal year, purchased services expenses were as follows:

Management Services	\$ 4,166
Data Processing	12,654
Professional and Technical Services	1,443,736
Property Insurance	2,143
Rentals	225,000
Travel and Meeting Expense	2,178
Repairs and Maintenance	5,000
Total	<u>\$ 1,694,877</u>

**BROOKWOOD ACADEMY**  
**(A Component Unit of Reynoldsburg City School District)**  
**Franklin County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 12 - COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

**NOTE 13 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, the Academy has implemented the following:

*GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities”* clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the Academy to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62”* resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the Academy.

*GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees”* enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the Academy.

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

Brookwood Academy  
Franklin County  
2685 E Livingston Ave  
Columbus, Ohio 43209

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Brookwood Academy, Franklin County, (the Academy), a component unit of the Reynoldsburg City School District, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, wherein we noted the Academy reports on the modified cash basis of accounting, which is a comprehensive accounting basis other than generally accepted accounting principles, and have issued our report thereon dated November 10, 2014.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Academy'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 Academy'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 Academy'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 Academy'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

**Academy's Response to Findings**

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

**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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
November 10, 2014

**BROOKWOOD ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**2014-001 NONCOMPLIANCE: BASIS OF ACCOUNTING**

Ohio Administrative Code Section 117-2-03 (B) states "All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles."

The Academy prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. To be in compliance with the Ohio Administrative Code, the Academy should use generally accepted accounting principles in future annual financial reports; otherwise, the Academy can be fined and various other administrative remedies may be taken against the Academy.

**Officials Response**

The cost of preparation of GAAP financial statements significantly exceeds the cost of preparation of non-GAAP financial statements. In the judgment of the Academy, the application of GAAP, which exists principally as a guide to entities other than local governments, does not produce financial statements that are materially more accurate than non-GAAP financial statements. In light of the higher costs, absence a material benefit, and financial constraints, the Academy has chosen to prepare non-GAAP financial statements.

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Brookwood Academy  
Franklin County  
2685 E Livingston Ave  
Columbus, Ohio 43209

To the Governing Board:

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

1. We inquired with the Board's management regarding an anti-harassment policy. We read the policy, noting it includes all the requirements listed in Ohio Rev. Code 3313.666, and was Board approved at the July 15, 2013 meeting.

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.

We intend this report solely for the information and use of the Board and the Academy's sponsor and is not intended to be and should not be used by anyone other than these specified parties.



Kennedy Cottrell Richards LLC  
November 10, 2014

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# Dave Yost • Auditor of State

**BROOKWOOD ACADEMY**

**FRANKLIN 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  
DECEMBER 30, 2014**