

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

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017





Dave Yost • Auditor of State

Board of Directors
Brookwood Academy
2685 E. Livingston Avenue
Columbus, OH 43209

We have reviewed the Independent Auditor's Report of the Brookwood Academy, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 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

January 25, 2018

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BROOKWOOD ACADEMY
(a Component Unit of Reynoldsburg City School District)
FRANKLIN COUNTY
AUDIT REPORT
For the year ended June 30, 2017

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Auditors.....	1-2
Management’s Discussion and Analysis.....	3-6
Statement of Net Position – Modified Cash Basis	7
Statement of Receipts, Disbursements and Changes in Net Position– Modified Cash Basis	8
Notes to the Basic Financial Statements	9-24
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	25-26
Schedule of Findings.....	27
Prepared by Management:	
Schedule of Prior Audit Findings.....	28
Corrective Action Plan	29

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Brookwood Academy
Franklin County
2685 E. Livingston Avenue
Columbus, Ohio 43209

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying modified cash-basis 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, 2017 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 the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Academy'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 Academy'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash financial position of Brookwood Academy, Franklin County Ohio as of June 30, 2017, 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 of accounting applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 14, The Academy has filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brookwood Academy's basic financial statements. The management's discussion and analysis which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017 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.



Charles E. Harris & Associates, Inc.

November 2, 2017

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

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

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, 2017. 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 \$10,933 as of June 30, 2017. Of this amount, \$8,520 (unrestricted net position) may be used to meet the Academy's ongoing obligations.
- The Academy's net position increased by \$3,973 during the fiscal year. The Academy's operating receipts of approximately \$1.6 million and non-operating receipts of \$626,574 exceeded operating disbursements of approximately \$1.8 million and non-operating disbursements of \$378,527.

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, 2017
(Unaudited)

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 for June 30, 2017 and June 30, 2016.

Table 1
Net Position at Year End

	2017	2016
Assets:		
Cash and Cash Equivalents	\$ 10,933	\$ 6,960
Total Assets	10,933	6,960
Net Position:		
Restricted	2,413	2,326
Unrestricted	8,520	4,634
Total Net Position	\$ 10,933	\$ 6,960

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

Unrestricted net position increase in comparison with the prior fiscal year. This increase is the result of the cash and cash equivalents balance increasing.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Financial Analysis

Table 2 shows the change in net position for the fiscal year ended June 30, 2017 and June 30, 2016.

Table 2
Change in Net Position

	2017	2016
Operating receipts:		
Foundation receipts	\$1,601,496	\$1,899,206
Total Operating receipts	1,601,496	\$1,899,206
Operating Disbursements:		
Salaries and Wages	857,452	931,004
Fringe benefits	179,422	203,810
Purchased services	724,939	1,155,592
Materials and supplies	76,823	51,359
Other expenses	6,934	10,324
Total Operating Disbursements	1,845,570	2,352,089
Operating Loss	(244,074)	(452,883)
Nonoperating Receipts/(Disbursements)		
Federal and State Grants	220,449	395,695
Donations	2,500	54,300
Loan Proceeds	372,778	213,188
Miscellaneous Revenue	30,847	10,889
Debt Service:		
Principal	(375,601)	(213,188)
Interest and fiscal charges	(2,926)	(2,081)
Nonoperating Receipts/(Disbursements)	248,047	458,803
Change in Net Position	3,973	5,920
Beginning Net Position	6,960	1,040
Ending Net Position	\$10,933	\$6,960

Operating Receipts and Operating Disbursements both decreased significantly in comparison with the prior fiscal year. These decreases are primarily the result of decreased enrollment.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2017
(Unaudited)

Non-operating Receipts decreased from the prior year as the amount received for federal and state grants dropped with the reduction in student enrollment. Non-operating Disbursements increased significantly in comparison with the prior fiscal year primarily the result of increased activity on the Academy's line of credit.

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.

Debt

The Academy has an outstanding line of credit that carries a 7.75 interest rate (as of July 1, 2017) with a balance of \$47,177. For more information on the Academy's debt see note 8 of the financial statements.

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 the number of students, which will impact the Academy's funding since the Academy receives the majority of its finances from state aid.

In May 2017, the Academy passed a resolution to file for Chapter 11 Bankruptcy protection regarding back payments owed to seven vendors totaling \$710,955. The filing was approved by the Court on August 28, 2017.

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, 2017

Assets

Cash and Cash Equivalents	<u>\$ 10,933</u>
Total Assets	<u><u>10,933</u></u>

Net Position

Restricted for:	
Federally Funded Programs	2,413
Unrestricted	<u>8,520</u>
Total Net Positions	<u><u>\$ 10,933</u></u>

See Accompanying Notes to the 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, 2016

Operating Receipts:	
State Foundation	\$ 1,601,496
Total Operating Receipts	<u>1,601,496</u>
 Operating Disbursements:	
Salaries and Wages	857,452
Fringe Benefits	179,422
Purchased Services	724,939
Materials and Supplies	76,823
Other	6,934
Total Operating Disbursements	<u>1,845,570</u>
 Operating Loss	 (244,074)
 Non-Operating Receipts (Disbursements):	
Federal and State Grants	220,449
Donations	2,500
Loan Proceeds	372,778
Miscellaneous Receipts	30,847
Debt Service:	
Principal Retirement	(375,601)
Interest and Fiscal Charges	(2,926)
Total Non-Operating Receipts (Disbursements)	<u>248,047</u>
 Change in Net Position	 3,973
 Net Position at Beginning of the Year	 <u>6,960</u>
Net Position at End of the Year	<u><u>\$ 10,933</u></u>

See Accompanying Notes to the 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, 2017

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 14 non-certified staff members and 13 certificated teaching personnel who provide services to 87 full time equivalent 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, 2017

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, 2017

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 \$47,177 in outstanding debt as of June 30, 2017.

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, 2017

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 \$2,413 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 \$10,933 and the bank balance was \$33,262. 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, 2017

NOTE 4 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the Academy’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Academy’s obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2017

NOTE 4 - PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent and nothing was allocated to the Health Care Fund.

The Academy paid \$62,064 to SERS during fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at 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, 2017

NOTE 4 - PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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, 2017

NOTE 4 - PENSION PLANS (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Academy paid \$62,892 to STRS during fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability - Prior measurement date	0.0195666%	0.00624338%	
Proportion of the net pension liability - current measurement date	<u>0.0129293%</u>	<u>0.00494841%</u>	
Change in proportionate share	<u>-0.0066373%</u>	<u>-0.00129497%</u>	
Proportion of the net pension liability -	\$946,305	\$1,656,382	\$2,602,687

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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, 2017

NOTE 4 - PENSION PLANS (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 <u>100.00 %</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, 2017

NOTE 4 - PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$ 1,252,850	\$946,305	\$ 752,979

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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, 2017

Asset Class	Allocation	Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	\$2,201,197	\$1,656,382	\$1,196,798

Change between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend the cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the Academy's net pension liability is expected to be significant.

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, 2017

NOTE 5 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, 0.00 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's payments for health care, including the surcharge, for the fiscal years ended June 30, 2017, 2016, and 2015 were \$3,199, \$7,026, and \$15,625, respectively.

State Teachers Retirement System

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

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, 2017

NOTE 5 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The Academy's payments for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0 for all years.

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 paid the Sponsor \$66,935 under this agreement with an additional \$12,000 paid for accounting services related to prior years.

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, 2017

NOTE 7 – LEASE AGREEMENT

On July 1, 2016, 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. The monthly lease payments were \$12,000. 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 \$144,000 for use of the space during fiscal year 2017.

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 7.75 (effective July 1, 2017 an increase of 0.25 from fiscal year 2017.) The changes in the Academy’s obligation during the fiscal year were as follows:

Description	Balance 07/1/16	Additions	Deletions	Balance 06/30/17	Due Within One Year
US Bank LOC	\$50,000	\$372,778	(\$375,601)	\$47,177	\$6,000
Total Long Term Liabilities	\$50,000	\$372,778	(\$375,601)	\$47,177	\$6,000

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, Canal Winchester, 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, 2017

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. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2017, 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 – School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

The first ODE adjustment resulted in an adjustment in favor of the Academy of \$8,100. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional revenue to, or an expense of, the Academy reported in fiscal year 2018.

In addition, the Academy's contract with their Sponsor require payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional revenue to, or an expense of, the Academy reported in fiscal year 2018.

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 - 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, fund balance/net position, 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.

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, 2017

NOTE 12 - PURCHASED SERVICES

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

Management Services	\$ 32,739
Data Processing	9,110
Professional and Technical Services	192,905
Property Insurance	2,841
Rentals	144,000
Travel and Meeting expense	1,447
Transportation	341,897
Total	<u>\$ 724,939</u>

NOTE 13 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the Academy has implemented the following:

- GASB Statement No. 77, *Tax Abatements Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*

The implementation of these statements did not have an effect on the financial statements of the Academy.

NOTE 14 – SUBSEQUENT EVENTS

In May 2017, the Academy passed a resolution to file for Chapter 11 bankruptcy protection from seven vendors for a total of \$710,955. The Court approved the Academy's petition on August 28, 2017. The Academy is working through payment plans to resolve the balances owed to the vendors and continue operation of the Academy.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States 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 Brookwood Academy, Franklin County, Ohio (the Academy), a component of the Reynoldsburg City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 2, 2017. We noted the Academy reports on the modified cash basis of accounting, which is a comprehensive accounting basis other than generally accepted accounting principles.

Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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 Academy's financial statements are free of 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2017-001.

Entity's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

November 2, 2017

**BROOKWOOD ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2017-001

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. By not following generally accepted accounting principles, the Academy can be fined and subjected to other remedies.

Officials Response:

See Corrective Action Plan

BROOKWOOD ACADEMY
FRANKLIN COUNTY
For the Year Ended June 30, 2017

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2016-001	Contrary to Ohio Administrative Code Section 117-2-03(B) , Academy does not prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	Not Corrected	Reissued as finding # 2017-001.

BROOKWOOD ACADMEY
FRANKLIN COUNY

CORRECTIVE ACTION PLAN
June 30, 2017

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2017-001	In light of the higher costs, absence a material benefit, and financial constraints, Brookwood Academy has chosen to prepare non-GAAP financial statements.	N/A	Joel McCloskey, Treasurer

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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
FEBRUARY 6, 2018**