



Julian & Grube, Inc.
Serving Ohio Local Governments

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November 5, 2013

Mr. Rick Berdine, Treasurer
Brecksville-Broadview Heights City School District
6638 Mill Road
Brecksville, OH 44141

Dear Mr. Berdine:

We greatly appreciate the opportunity to submit our proposal to assist the Brecksville-Broadview Heights City School District (the "District") in compiling its basic financial statements (BFS) in compliance with accounting principles generally accepted in the United States of America (GAAP) for the year ended June 30, 2014. We will compile, from information you provide, the annual financial statements and issue an accountant's report thereon in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants (AICPA).

Julian & Grube, Inc. (J&G) takes pride in its commitment to providing quality accounting and advisory services to the public sector. Your request represents a significant opportunity for us and a cost-effective means for the District to achieve excellence in financial reporting. We have enclosed for your information a complete list of our public sector clients; please feel free to contact any of them.

The following proposal explains the GAAP reporting rules issued by the Auditor of State. We then set forth the approach and scope of our assistance based on our understanding of your needs, and finally, the fee schedule.

RULES FOR REPORTING ON A GAAP-BASIS

The Auditor of State has issued various Administrative Rules calling for Ohio governmental entities to begin preparing their "Annual Financial Report" (AFR) in accordance with GAAP. GAAP-basis reporting provides users of the financial statements with a comprehensive view of the District's overall financial position as well as the results of its operations. GAAP-basis reporting also provides significant details as to the District's accounting policies and activities.

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In order to comply with the Auditor of State's requirement to issue a GAAP-basis AFR, the District has two options. The first option is to issue basic financial statements (BFS) which consist of government-wide and fund financial statements, a management's discussion and analysis (MD&A) and appropriate note disclosures. The second option is to prepare a comprehensive annual financial report (CAFR). The CAFR, prepared under the guidelines of the Certificate of Achievement for Excellence in Financial Reporting program, would include the items mentioned above as well as an introductory section, combining statements and schedules and a statistical section. This proposal was prepared under the assumption that the District plans to issue a BFS for the fiscal year ended June 30, 2014, which is consistent with 2013 reporting.

The District should experience various benefits from preparing GAAP-basis BFS in addition to complying with the requirements set forth by the Auditor of State.

These benefits include:

- The District's elected officials and managers will benefit from the improved quality of the financial information available.
- Improved financial information will be available to the public.
- The District will be perceived to be more accountable for its actions by the public.
- The project will require the implementation of procedures to account for annual additions and deletions of capital assets as well as depreciation accounting for all capital assets.
- Should the District enter the capital funds market in the future, it could benefit from improved bond and note ratings as a result of improved accountability and quality of financial information. It should be noted that when issuing bonded debt GAAP-basis financial information is frequently requested and necessary.
- Since the District previously prepared a GAAP-basis statements, a more accurate analysis of results of operations from year to year will be possible.

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PROJECT APPROACH

Although the preparation of the GAAP-basis BFS is the responsibility of the District Treasurer, the project will require the cooperation of almost all the District departments. Cooperation is essential to the success of the GAAP-conversion. The key to bringing about cooperation is proper planning and coordination of all aspects of the project.

We consider meetings of those District personnel involved with various aspects of the project, shared information, and on-going status updates of project completion to be the most important aspects in a successful conversion. In addition to being valuable planning tools for the project, the above will help identify any additional resources or information that may be needed. Our suggested approach to preparing your GAAP-basis financial statements can be summarized in three basic phases:

I. Review

Review the District's current accounting and financial reporting procedures for compliance with GAAP for governments. Define the procedures and resources necessary to convert the District's financial report from its cash-basis format to compliance with GAAP.

II. Planning

Using the information obtained during the review phase, we will identify specific tasks necessary for the completion of the BFS. The Treasurer should delineate responsibility for completing all tasks and specify a timetable for completion of the tasks.

III. BFS Preparation

The year-end cash-basis financial statements (reports) will be converted to GAAP-basis through analysis of (1) financial transactions necessary to prepare accrual entries (2) the effect of reversing prior year accrual entries, and (3) other information pertinent to the BFS (debt transactions, capital asset activity, investment activity, etc.).

At the completion of this phase, unaudited BFS with appropriate note disclosures will have been prepared. Additionally, various workpapers and schedules will have been prepared to enable the Independent Public Accountant (IPA) to review and audit the adjustments.

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PROJECT SCOPE

J&G would assist the District in the preparation of its BFS. Our role would be primarily to:

- Perform the review of the District's current accounting and financial reporting procedures and determine changes necessary to comply with GAAP.
- Delineate responsibility for completing the tasks in the project after consulting with the District Treasurer and other personnel.
- Provide technical assistance, consultation and review during the term of the project.
- Post reversing journal entries to the cash-basis financial statements.
- Prepare adjusting journal entries for posting to the cash-basis financial statements.
- Prepare all footnote disclosures and assist the District with the preparation of the MD&A.
- File the BFS with the Auditor of State prior to November 30, 2014.
- Act as the District's liaison with its IPA on matters related to the preparation of the GAAP- basis BFS. We will provide the IPA access to our workpapers and we will ultimately post all agreed-upon audit adjustments. We would assist the IPA by answering various inquiries and explaining our procedures. Should the IPA request additional assistance or work to be performed by J&G beyond the scope of our engagement, we would only perform such tasks with the approval of the Treasurer.

This proposal was prepared based on the assumption that the District would accumulate/gather the information necessary to prepare the various adjusting journal entries. J&G will provide consultation related to the above tasks and our assistance will be tailored to meet your specific needs. Additionally, J&G will generate appropriate year-end reports from the District's accounting files by accessing the district's database via the Internet using terminal emulation software. This will require that you authorize us to have "read only" access to your files at the District's "A-site".

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DISTRICT'S RESPONSIBILITIES

The District Treasurer is responsible for:

- a. The preparation and fair presentation of the financial statements in accordance with GAAP.
- b. Management decisions and functions and for assigning an individual with suitable skill, knowledge, or experience to oversee the GAAP-conversion services provided by J&G
- c. Evaluating the adequacy and results of the services performed and accepting responsibility for such services.
- d. Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
- e. Preventing and detecting fraud.
- f. Identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.
- g. Making all financial records and related information available to us.

J&G'S RESPONSIBILITIES

We are responsible for conducting the engagement in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA.

ERRORS, FRAUD, OR ILLEGAL ACTS

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are nearly inconsequential.

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OBJECTIVE OF A COMPILATION

The objective of a compilation is to assist you in presenting financial information in the form of financial statements. We will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with GAAP.

TIMING

In accordance with Ohio Revised Code Section 117.38, the District is required to file its GAAP basis annual financial report by November 30, 2014. Failure to do so may result in a maximum penalty of \$750 assessed by the Auditor of State. In order to meet this required deadline, J&G *must* receive all requested source data from the District by October 15, 2014 to ensure completion by November 30, 2014.

Based on our discussions with you we would assist the District in preparing its "unaudited" fiscal 2014 BFS by November 30, 2014 for filing with the Auditor of State. It is important to note that the District will need to take a complete materials and supplies inventory and update capital asset information prior to June 30, 2014.

PROFESSIONAL FEES

You may choose between a one-year or multi-year contract. In either case, this is a fixed fee (i.e., you will not be billed additional amounts for any out-of-pocket expenses we may incur). You will be billed one-third of the appropriate amount below on August 1, October 1, and upon report completion each year.

- 1. FY14 BFS\$8,300
- 2. Two-year engagement.....\$8,100
- 3. Three-year engagement.....\$7,900

We at J&G are dedicated to quality service and client satisfaction. If, during the course of a multi-year contract, the District is dissatisfied with our services, and it is a situation that cannot be rectified, the District may cancel the remaining portion of the contract. Both J&G and the District reserve the right to cancel the remaining portion of any contract period with a 90 day written notice to the other party. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

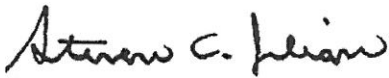
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We greatly appreciate this opportunity to be of assistance to the District. We believe there are many benefits to converting to GAAP-basis financial reporting. The District will not only be in compliance with the requirements set forth by the Auditor of State, but the public should perceive better accountability of the District's financial resources.

The terms as stated in this proposal will remain open until March 31, 2014. If the proposed terms are acceptable, please sign, date, and return one copy.

Should you have any questions please contact me at 614.846.1899. Thank you again.

Very truly yours,



Steven C. Julian, CPA
Julian & Grube, Inc.

I accept your proposal to provide compilation services to the Brecksville-Broadview Heights City School District during our GAAP-conversion. I have chosen fee option _____ (1, 2 or 3).

Treasurer

Date

Superintendent or Purchasing Agent

Date