



Dave Yost • Auditor of State

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brecksville-Broadview Heights City School District
Cuyahoga County
6638 Mill Road
Brecksville, Ohio 44141

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District'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 District'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of the District'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 District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 30, 2015

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**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of Brecksville-Broadview Heights City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The District's net position of governmental activities increased \$2,938,961, which represents an 11.52% increase from 2013.
- General revenues for governmental activities, accounted for \$50,931,890 in revenue or 87.85% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$7,043,683 or 12.15% of total governmental activities revenues of \$57,975,573.
- The District had \$55,036,612 in expenses related to governmental activities; only \$7,043,683 of these expenses was offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$50,931,890 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$47,756,083 in revenues and \$46,186,687 in expenditures and other financing uses. The general fund's fund balance increased \$1,569,396 from a balance of \$8,817,486 to \$10,386,882.
- The bond retirement fund had \$2,922,882 in revenues and other financing sources and \$2,379,995 in expenditures. The bond retirement fund's fund balance increased \$542,887 from \$2,900,889 to \$3,443,776.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of net position and the statement of activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

On the statement of net position and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24-25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-57.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2014 and 2013.

Net Position of Governmental Activities

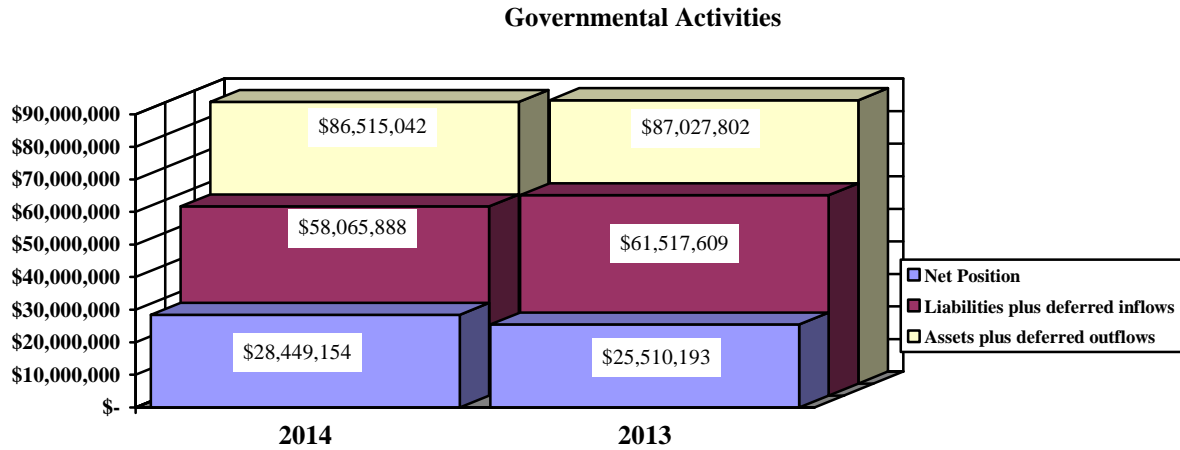
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 53,565,224	\$ 52,003,785
Capital assets, net	31,555,814	33,129,232
Total assets	<u>85,121,038</u>	<u>85,133,017</u>
Deferred outflows of resources	<u>1,394,004</u>	<u>1,894,785</u>
<u>Liabilities</u>		
Current liabilities	5,887,315	6,474,980
Long-term liabilities	23,309,510	25,395,639
Total liabilities	<u>29,196,825</u>	<u>31,870,619</u>
Deferred inflows of resources	<u>28,869,063</u>	<u>29,646,990</u>
<u>Net Position</u>		
Net investment in capital assets	14,701,272	14,643,835
Restricted	5,830,015	6,481,281
Unrestricted	7,917,867	4,385,077
Total net position	<u>\$ 28,449,154</u>	<u>\$ 25,510,193</u>

Total governmental activities net position increased \$2,938,961. Total assets of the District's governmental activities decreased \$11,979 from June 30, 2013. Current assets increased \$1,561,439 primarily due to an increase in delinquent property taxes receivable of \$1,296,920. The District's liabilities decreased \$2,673,794, which is primarily due to the payment of long-term bond principal of \$1,720,000. Restricted net position decreased primarily in the area of restricted for capital projects. Unrestricted net position increased as revenues exceeded expenses in general operations which are unrestricted in use.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2014 and 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

Change in Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,106,180	\$ 4,051,736
Operating grants and contributions	2,917,503	2,067,885
Capital grants and contributions	20,000	20,000
General revenues:		
Property taxes	39,377,515	35,394,190
Grants and entitlements	11,076,761	11,664,366
Payment in lieu of taxes	176,701	465,443
Gain on disposal of capital assets	19,247	-
Unrestricted contributions	-	14,433
Investment earnings	129,508	33,394
Other	152,158	39,502
Total revenues	<u>57,975,573</u>	<u>53,750,949</u>

(continued)

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Expenses</u>	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Program expenses:		
Instruction:		
Regular	24,494,894	23,709,468
Special	8,277,590	6,319,936
Vocational	99,761	104,931
Adult/continuing	380	820
Other	1,066,612	648,211
Support services:		
Pupil	3,126,397	3,837,984
Instructional staff	1,571,577	3,125,721
Board of Education	142,636	126,554
Administration	2,996,701	2,799,152
Fiscal	1,062,940	1,131,691
Business	468,002	494,617
Operations and maintenance	3,811,538	4,150,822
Pupil transportation	3,046,723	3,303,739
Central	231,319	230,390
Food service	1,643,748	1,735,523
Child care operations	428,222	468,765
Operation of non-instructional services	561,336	658,874
Extracurricular activities	1,283,886	1,133,086
Interest and fiscal charges	722,350	989,812
Total expenses	<u>55,036,612</u>	<u>54,970,096</u>
Changes in net position	2,938,961	(1,219,147)
Net position at beginning of year	<u>25,510,193</u>	<u>26,729,340</u>
Net position at end of year	<u>\$ 28,449,154</u>	<u>\$ 25,510,193</u>

Governmental Activities

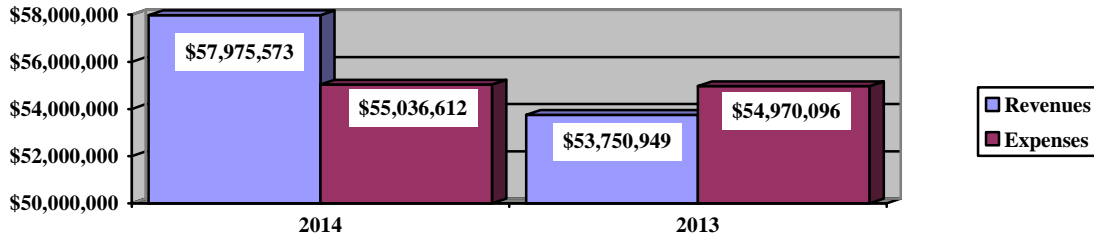
The net position of the District's governmental activities increased \$2,938,961. Total governmental expenses of \$55,036,612 were offset by program revenues of \$7,043,683 and general revenues of \$50,931,890. Program revenues supported 12.80% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 87.03% of total governmental revenue. Real estate property is reappraised every six years. The increase in tax revenue for fiscal year 2014 resulted primarily from two items: (1) fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end and (2) an increase in delinquent property tax revenue. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue. The total amount of taxes collected and available as an advance at June 30, 2014 and June 30, 2013 was \$6,453,254 and \$4,680,830, respectively. Unrestricted grants and entitlements revenues decreased and operating grants and contributions revenue increased due to the classification funding from the State of Ohio restricted for special education. All other revenue items were comparable to the prior year or were immaterial in variance amount. Overall, expenses increased \$66,516, or 0.12% from the prior year. Instruction special expenses increased and support services instructional staff expenses decreased as a result of new coding requirements implemented by the Ohio Department of Education in fiscal year 2014. All other expenses were comparable to prior year.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. It identifies the cost of services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Instruction:				
Regular	\$ 24,494,894	\$ 23,460,948	\$ 23,709,468	\$ 22,920,330
Special	8,277,590	7,033,447	6,319,936	5,851,778
Vocational	99,761	91,580	104,931	102,830
Adult/continuing	380	380	820	820
Other	1,066,612	778,683	648,211	634,824
Support services:				
Pupil	3,126,397	2,748,171	3,837,984	3,762,246
Instructional staff	1,571,577	1,400,277	3,125,721	2,595,534
Board of Education	142,636	142,636	126,554	123,940
Administration	2,996,701	2,973,039	2,799,152	2,724,303
Fiscal	1,062,940	1,062,940	1,131,691	1,108,401
Business	468,002	468,002	494,617	485,507
Operations and maintenance	3,811,538	3,737,354	4,150,822	4,024,044
Pupil transportation	3,046,723	2,824,144	3,303,739	3,241,542
Central	231,319	220,519	230,390	215,098
Food service operations	1,643,748	57,712	1,735,523	84,154
Child care operations	428,222	44,180	468,765	43,478
Operation of non-instructional services	561,336	9,849	658,874	63,726
Extracurricular activities	1,283,886	216,718	1,133,086	(141,892)
Interest and fiscal charges	722,350	722,350	989,812	989,812
Total expenses	<u>\$ 55,036,612</u>	<u>\$ 47,992,929</u>	<u>\$ 54,970,096</u>	<u>\$ 48,830,475</u>

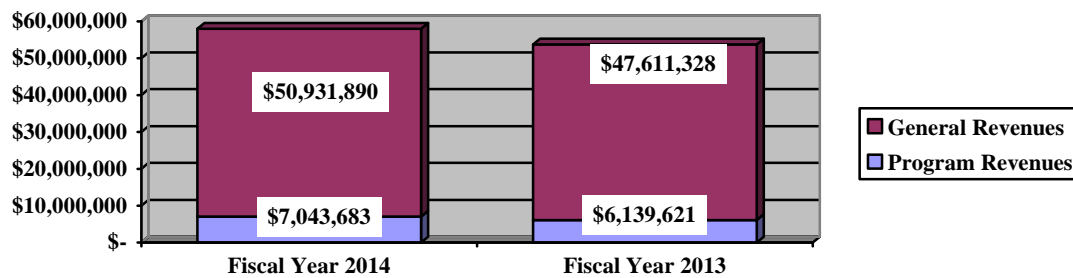
**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The dependence upon general revenues during fiscal year 2014 for governmental activities is apparent, as 92.42% of 2014 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.20% in 2014. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

During 2014 the District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$16,178,026, which is above last year's total of \$14,904,406. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 10,386,882	\$ 8,817,486	\$ 1,569,396	17.80 %
Debt Service	3,443,776	2,900,889	542,887	18.71 %
Other Governmental	2,347,368	3,186,031	(838,663)	(26.32) %
Total	<u>\$ 16,178,026</u>	<u>\$ 14,904,406</u>	<u>\$ 1,273,620</u>	8.55 %

General Fund

The District's general fund balance increased \$1,569,396 as revenues continued to exceed expenditures in the current year. Property taxes receivable in the general fund increased \$2,414,577 from \$31,211,579 at June 30, 2013 to \$33,626,156 at June 30, 2014.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The tables below assist in illustrating the financial activities of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 33,909,948	\$ 32,416,407	\$ 1,493,541	4.61 %
Payment in lieu of taxes	176,701	465,063	(288,362)	(62.00) %
Tuition	579,553	921,032	(341,479)	(37.08) %
Earnings on investments	114,795	30,164	84,631	280.57 %
Intergovernmental	11,448,210	11,093,264	354,946	3.20 %
Other revenues	<u>1,526,876</u>	<u>1,106,938</u>	<u>419,938</u>	37.94 %
Total	<u>\$ 47,756,083</u>	<u>\$ 46,032,868</u>	<u>\$ 1,723,215</u>	3.74 %
<u>Expenditures</u>				
Instruction	\$ 29,489,177	\$ 27,744,722	\$ 1,744,455	6.29 %
Support services	15,461,498	18,037,101	(2,575,603)	(14.28) %
Extracurricular activities	812,755	796,953	15,802	1.98 %
Debt Service	<u>41,062</u>	<u>44,292</u>	<u>(3,230)</u>	(7.29) %
Total	<u>\$ 45,804,492</u>	<u>\$ 46,623,068</u>	<u>\$ (818,576)</u>	(1.76) %

The increase in property tax revenue for fiscal year 2014 resulted from fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue in the general fund on the modified accrual basis of accounting. The amount of taxes collected and available as an advance to the general fund at June 30, 2014 and June 30, 2013 was \$5,722,292 and \$4,150,095, respectively. The increase in earnings on investment revenues is due primarily to the District required reporting of investments at fair value rather than cost. The fluctuations in fair value can cause fluctuations in the amounts reported as interest earnings for a given fiscal year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value. For fiscal year 2014 and 2013, the District's cash-basis interest earnings were \$79,938 and \$69,631, respectively. The increase in other revenues is due to the increase in reimbursements from other sources. The decrease in tuition revenue is due to fewer students from other districts attending the District. All other revenue items were comparable to the prior year or were immaterial in variance amount. Instruction expenditures increased 6.29% from the prior year primarily due to wage and benefit increases and an increase in special education expenditures. This area is the District's largest expenditure line item. The decrease in support services is primarily due to new coding requirements implemented by the Ohio Department of Education in fiscal year 2014 which effectively shifted special education related expenditures previously classified as support services expenditures to instruction expenditures. Overall, expenditures in the general fund decreased 1.76% from the previous year.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Bond Retirement Fund

The District's bond retirement fund balance increased \$542,887. The tables below assist in illustrating the financial activities of the bond retirement fund.

	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Property taxes	\$ 2,565,447	\$ 1,024,718	\$ 1,540,729	150.36 %
Interest earnings	3,230	3,230	-	-
Intergovernmental	313,245	316,327	(3,082)	(0.97) %
Other	-	2,864	(2,864)	(100.00) %
Total	<u>\$ 2,881,922</u>	<u>\$ 1,347,139</u>	<u>\$ 1,534,783</u>	113.93 %
<u>Expenditures</u>				
Debt Service:				
Principal retirement	\$ 1,720,000	\$ 1,565,000	\$ 155,000	9.90 %
Interest and fiscal charges	659,995	789,027	(129,032)	(16.35) %
Bond issuance costs	-	147,202	(147,202)	(100.00) %
Payment to refunded bond escrow agent	-	1,845,000	(1,845,000)	(100.00) %
Total	<u>\$ 2,379,995</u>	<u>\$ 4,346,229</u>	<u>\$ (1,966,234)</u>	(45.24) %

The increase in tax revenue for fiscal year 2014 resulted from the reclassification of \$1,340,850 of property tax revenue from the bond retirement fund to the building fund (a nonmajor governmental fund) in 2013 related to retirement of the Series 2012 energy conservation notes which were reported as a liability of the building fund. Actual cash basis tax receipts for the bond retirement fund for fiscal year 2014 and 2013 were \$2,443,959 and \$2,337,619, respectively. During 2014, the bond retirement fund made principal payments on bonds and notes of \$1,720,000. The decrease in expenditures in the bond retirement fund is due to the District refunding bonds in 2013. Taxes and intergovernmental revenues were sufficient to cover debt service and fiscal changes incurred in the fund.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2014, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original and final budgeted revenues and other financing sources were \$45,107,616 and \$45,836,972, respectively. The actual revenues and other financing sources were \$45,733,527, which was \$103,445 lower than the final budget revenues. The primary variance between the final budgeted revenues and actual revenues was in the area of intergovernmental-state revenues. This revenue source represents 24.19% of the general fund revenues.

General fund original and final appropriations and other financing uses were \$47,801,382 and \$47,933,323 respectively. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$46,742,615, which were \$1,190,708 less than final budgeted appropriations.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

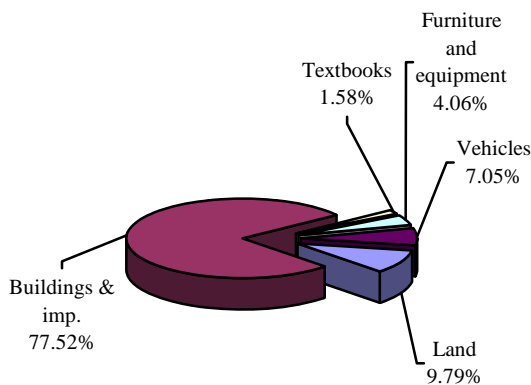
During fiscal year 2014, the District had \$31,555,814 invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks. This entire amount was reported in governmental activities. The following table shows fiscal year 2014 balances compared to 2013:

Capital Assets at June 30 (Net of Depreciation)

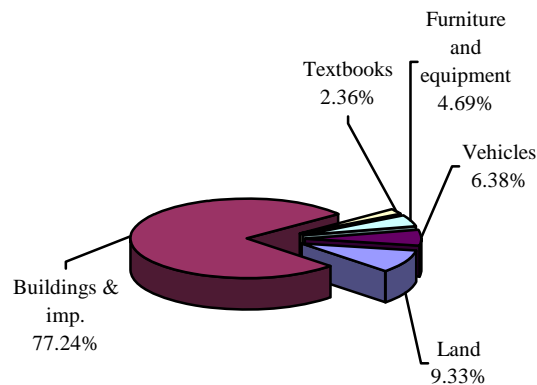
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 3,088,833	\$ 3,088,833
Buildings and improvements	24,463,330	25,589,152
Furniture and equipment	1,281,746	1,555,369
Vehicles	2,223,628	2,113,830
Textbooks	498,277	782,048
Total	<u>\$ 31,555,814</u>	<u>\$ 33,129,232</u>

Total additions to governmental activities capital assets for 2014 were \$716,941. Governmental activities depreciation expense for fiscal year 2014 was \$2,278,734. Disposals net of accumulated depreciation were \$11,625. Overall, governmental activities capital assets of the District decreased \$1,573,418. The following graphs show the breakdown of the governmental activities capital assets by category for 2014 and 2013.

Capital Assets - 2014



Capital Assets - 2013



See Note 10 to the basic financial statements for additional information on the District's capital assets.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Debt Administration

The following table summarizes the governmental activities bonds and notes outstanding:

Outstanding Debt, at Year End		
	Balance <u>June 30, 2014</u>	Balance <u>June 30, 2013</u>
General obligation bonds:		
2013 School Improvement Refunding	\$ 10,430,000	\$ 10,480,000
2013 Energy Conservation	1,338,115	1,344,374
Refunding Note:		
2006 High School Refunding Notes	<u>5,910,464</u>	<u>7,673,759</u>
Total	<u>\$ 17,678,579</u>	<u>\$ 19,498,133</u>

On May 7, 2013, the District issued \$10,480,000 in Series A school improvement refunding bonds and \$1,280,000 in Series B energy conservation improvement bonds for the purpose of taking advantage of lower interest rates and making energy-saving modifications to buildings, respectively. Both bonds are paid from the bond retirement fund and will mature in December 2021 and 2019, respectively.

In April 2004, the District entered into an agreement to issue and sell to Bank One NA variable interest rate notes dated October 2, 2006, in the amount of \$8,920,000. On October 16, 2006, the District issued and sold variable interest rate notes in the amount of \$8,920,000 to Bank One NA. The notes have scheduled maturities beginning December 1, 2012 and ending December 1, 2016. The District and Bank One also agreed to enter into an interest rate swap agreement in which Bank One agreed to pay interest at a variable rate on a notional amount equal to the unpaid principal amount of the notes and the District agreed to pay interest on the notional amount at a fixed rate equal to the rate of the refunded 1996 bonds.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Brecksville-Broadview Heights City School District has continued to maintain the highest standards of services to our students, parents and community at one of the lowest costs in Cuyahoga County. As with all school districts in the State of Ohio, State funding issues are constantly monitored to determine the impact on the District. As the preceding information shows, the District is heavily reliant on local property taxpayers.

Management must continue to diligently plan expenses, staying carefully within the District's financial forecast. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the life of the levies. All of the District's financial abilities will be needed to meet the challenges of the future. In conclusion, the District has committed itself to financial excellence for many years.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard Berdine, Treasurer/CFO at Brecksville-Broadview Heights City School District, 6638 Mill Road, Brecksville, Ohio 44141 or e-mail at rberdine@bbhcsd.org.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 15,431,399
Receivables:	
Property taxes	37,575,833
Accounts.	41,001
Accrued interest	14,385
Intergovernmental	483,559
Materials and supplies inventory.	6,194
Inventory held for resale.	12,853
Capital assets:	
Nondepreciable capital assets	3,088,833
Depreciable capital assets, net.	<u>28,466,981</u>
Capital assets, net	<u>31,555,814</u>
Total assets.	<u>85,121,038</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	932,738
Fair value of hedging derivatives	<u>461,266</u>
Total deferred outflows of resources	<u>1,394,004</u>
 Liabilities:	
Accounts payable.	272,863
Contracts payable.	60,977
Accrued wages and benefits payable	4,381,308
Intergovernmental payable	1,138,945
Accrued interest payable	33,222
Long-term liabilities:	
Due within one year.	2,510,031
Due in more than one year.	<u>20,799,479</u>
Total liabilities	<u>29,196,825</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>28,869,063</u>
 Net position:	
Net investment in capital assets	14,701,272
Restricted for:	
Capital projects	1,606,400
Debt service.	3,554,332
Locally funded programs	173,711
State funded programs.	41,351
Federally funded programs	19,173
Food service operations	173,605
Student activities	261,443
Unrestricted	<u>7,917,867</u>
Total net position.	<u>\$ 28,449,154</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 24,494,894	\$ 746,652	\$ 287,294	\$ -	\$ (23,460,948)
Special	8,277,590	206,332	1,037,811	-	(7,033,447)
Vocational	99,761	-	8,181	-	(91,580)
Adult/continuing	380	-	-	-	(380)
Other	1,066,612	274,210	13,719	-	(778,683)
Support services:					
Pupil	3,126,397	-	378,226	-	(2,748,171)
Instructional staff	1,571,577	82,873	88,427	-	(1,400,277)
Board of education	142,636	-	-	-	(142,636)
Administration	2,996,701	-	23,662	-	(2,973,039)
Fiscal	1,062,940	-	-	-	(1,062,940)
Business	468,002	-	-	-	(468,002)
Operations and maintenance	3,811,538	74,184	-	-	(3,737,354)
Pupil transportation	3,046,723	13,036	209,543	-	(2,824,144)
Central	231,319	-	10,800	-	(220,519)
Operation of non-instructional services:					
Food service operations	1,643,748	1,269,150	316,886	-	(57,712)
Child care operations	428,222	383,109	933	-	(44,180)
Other non-instructional services	561,336	660	530,827	20,000	(9,849)
Extracurricular activities	1,283,886	1,055,974	11,194	-	(216,718)
Interest and fiscal charges	722,350	-	-	-	(722,350)
Total governmental activities	\$ 55,036,612	\$ 4,106,180	\$ 2,917,503	\$ 20,000	(47,992,929)

General revenues:

Property taxes levied for	
General purposes	35,077,865
Debt service	2,641,881
Capital outlay	1,657,769
Payments in lieu of taxes	176,701
Grants and entitlements not restricted to specific programs	11,076,761
Gain on sale of capital assets	19,247
Investment earnings	129,508
Miscellaneous	152,158
Total general revenues	50,931,890
Change in net position	2,938,961
Net position at beginning of year	25,510,193
Net position at end of year	\$ 28,449,154

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 10,051,920	\$ 2,999,840	\$ 2,379,639	\$ 15,431,399
Receivables:				
Property taxes	33,626,156	2,375,003	1,574,674	37,575,833
Accounts	40,301	-	700	41,001
Accrued interest	14,385	-	-	14,385
Intergovernmental	476,572	-	6,987	483,559
Materials and supplies inventory	-	-	6,194	6,194
Inventory held for resale	-	-	12,853	12,853
Total assets	<u>\$ 44,209,334</u>	<u>\$ 5,374,843</u>	<u>\$ 3,981,047</u>	<u>\$ 53,565,224</u>
Liabilities:				
Accounts payable	\$ 240,892	\$ -	\$ 31,971	\$ 272,863
Contracts payable	-	-	60,977	60,977
Accrued wages and benefits payable	4,246,710	-	134,598	4,381,308
Compensated absences payable	329,030	-	12,617	341,647
Intergovernmental payable	1,037,662	-	101,283	1,138,945
Total liabilities	<u>5,854,294</u>	<u>-</u>	<u>341,446</u>	<u>6,195,740</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	25,889,168	1,787,289	1,192,606	28,869,063
Delinquent property tax revenue not available	2,014,696	143,778	95,042	2,253,516
Accrued interest not available	11,483	-	-	11,483
Intergovernmental revenue not available	42,439	-	4,585	47,024
Miscellaneous revenue not available	10,372	-	-	10,372
Total deferred inflows of resources	<u>27,968,158</u>	<u>1,931,067</u>	<u>1,292,233</u>	<u>31,191,458</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	6,194	6,194
Restricted:				
Debt service	-	3,443,776	-	3,443,776
Capital improvements	-	-	1,511,358	1,511,358
Food service operations	-	-	261,545	261,545
Non-public schools	-	-	41,351	41,351
Special education	-	-	11,392	11,392
Targeted academic assistance	-	-	11,847	11,847
Other purposes	-	-	2,214	2,214
Athletics	-	-	261,443	261,443
Community activities	-	-	186,477	186,477
Committed:				
After school program	-	-	6,684	6,684
College scholarships	-	-	77,739	77,739
Assigned:				
Student instruction	263,954	-	-	263,954
Student and staff support	27,951	-	-	27,951
Facilities acquisition and construction	166,027	-	-	166,027
School supplies	214,233	-	-	214,233
Unassigned	9,714,717	-	(30,876)	9,683,841
Total fund balances	<u>10,386,882</u>	<u>3,443,776</u>	<u>2,347,368</u>	<u>16,178,026</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 44,209,334</u>	<u>\$ 5,374,843</u>	<u>\$ 3,981,047</u>	<u>\$ 53,565,224</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2014

Total governmental fund balances		\$ 16,178,026
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		31,555,814
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 2,253,516	
Accounts receivable	10,372	
Accrued interest receivable	11,483	
Intergovernmental receivable	47,024	
Total	2,322,395	2,322,395
The fair value of hedging derivative instruments are reported as deferred outflows on the statement of net position.		461,266
Unamortized premiums on bonds issued are not recognized in the funds.		(58,115)
Unamortized deferred charges on debt refundings are not recognized in the funds.		932,738
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(33,222)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(11,710,000)	
SWAP notes	(5,910,464)	
Derivative instrument liability	(461,266)	
Capital lease obligations	(112,237)	
Compensated absences payable	(4,715,781)	
Total	(22,909,748)	(22,909,748)
Net position of governmental activities		\$ 28,449,154

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 33,909,948	\$ 2,565,447	\$ 1,605,200	\$ 38,080,595
Payment in lieu of taxes	176,701	-	-	176,701
Tuition	579,553	-	382,082	961,635
Transportation fees	10,980	-	-	10,980
Earnings on investments	114,795	3,230	2,493	120,518
Charges for services	-	-	1,269,150	1,269,150
Extracurricular	946,231	-	523,921	1,470,152
Classroom materials and fees	283,503	-	-	283,503
Rental income	74,184	-	-	74,184
Contributions and donations	33,706	-	67,026	100,732
Contract services	26,354	-	-	26,354
Other local revenues	151,918	-	40,582	192,500
Intergovernmental - intermediate	-	144	93	237
Intergovernmental - state	11,375,247	313,101	565,853	12,254,201
Intergovernmental - federal	72,963	-	1,602,840	1,675,803
Total revenues	<u>47,756,083</u>	<u>2,881,922</u>	<u>6,059,240</u>	<u>56,697,245</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,629,016	-	2,027,240	22,656,256
Special	7,696,259	-	357,693	8,053,952
Vocational	97,290	-	-	97,290
Other	1,066,612	-	-	1,066,612
Support services:				
Pupil	2,683,610	-	422,103	3,105,713
Instructional staff	1,441,624	-	230,143	1,671,767
Board of education	142,636	-	-	142,636
Administration	2,906,771	-	26,553	2,933,324
Fiscal	1,088,902	-	-	1,088,902
Business	426,727	-	-	426,727
Operations and maintenance	3,743,412	-	-	3,743,412
Pupil transportation	2,761,585	-	360,104	3,121,689
Central	266,231	-	10,800	277,031
Operation of non-instructional services:				
Food service operations	-	-	1,633,568	1,633,568
Child care operations	-	-	430,816	430,816
Other non-instructional services	-	-	555,504	555,504
Extracurricular activities	812,755	-	451,110	1,263,865
Facilities acquisition and construction	-	-	761,146	761,146
Debt service:				
Principal retirement	33,055	1,720,000	-	1,753,055
Interest and fiscal charges	8,007	659,995	3,230	671,232
Total expenditures	<u>45,804,492</u>	<u>2,379,995</u>	<u>7,270,010</u>	<u>55,454,497</u>
Excess of revenues over (under) expenditures	<u>1,951,591</u>	<u>501,927</u>	<u>(1,210,770)</u>	<u>1,242,748</u>
Other financing sources (uses):				
Sale of capital assets	-	-	30,872	30,872
Transfers in	-	40,960	341,235	382,195
Transfers (out)	(382,195)	-	-	(382,195)
Total other financing sources (uses)	<u>(382,195)</u>	<u>40,960</u>	<u>372,107</u>	<u>30,872</u>
Net change in fund balances	1,569,396	542,887	(838,663)	1,273,620
Fund balances at beginning of year	<u>8,817,486</u>	<u>2,900,889</u>	<u>3,186,031</u>	<u>14,904,406</u>
Fund balances at end of year	<u>\$ 10,386,882</u>	<u>\$ 3,443,776</u>	<u>\$ 2,347,368</u>	<u>\$ 16,178,026</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ 1,273,620

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 716,941	
Current year depreciation	(2,278,734)	
Total		(1,561,793)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (11,625)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	1,296,920	
Earnings on investments	11,483	
Tuition	7,614	
Transportation fees	2,056	
Extracurricular	552	
Miscellaneous	42,589	
Intergovernmental	(59,694)	
Total		1,301,520

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

Bonds	50,000	
SWAP notes	1,670,000	
Capital leases	33,055	
Total		1,753,055

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	10,244	
Amortization of cash flow savings	93,295	
Amortization of bond premiums	6,259	
Amortization of deferred charges on debt refundings	(160,916)	
Total		(51,118)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 235,302

Change in net position of governmental activities \$ 2,938,961

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 31,557,999	\$ 31,975,376	\$ 32,337,751	\$ 362,375
Payment in lieu of taxes.	458,993	465,063	176,701	(288,362)
Tuition.	632,033	425,931	555,221	129,290
Transportation fees.	11,984	12,142	10,835	(1,307)
Earnings on investments	66,100	66,974	79,938	12,964
Extracurricular.	867,857	904,071	884,015	(20,056)
Classroom materials and fees	272,355	278,790	279,102	312
Rental income	76,808	77,824	54,923	(22,901)
Contributions and donations	14,433	14,433	18,959	4,526
Contract services.	31,668	32,087	26,354	(5,733)
Other local revenues	25,388	25,724	50,866	25,142
Intergovernmental - state	10,823,377	10,966,524	11,061,903	95,379
Intergovernmental - federal	30,811	31,218	72,129	40,911
Total revenues	<u>44,869,806</u>	<u>45,276,157</u>	<u>45,608,697</u>	<u>332,540</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,041,422	20,872,831	20,915,364	(42,533)
Special.	7,670,267	7,977,515	7,706,897	270,618
Vocational.	121,726	122,606	98,704	23,902
Other.	1,373,862	1,139,539	1,062,672	76,867
Support services:				
Pupil.	2,758,986	2,750,112	2,727,179	22,933
Instructional staff	1,556,741	1,618,664	1,485,286	133,378
Board of education	139,430	154,926	142,653	12,273
Administration.	2,808,594	2,918,213	2,913,847	4,366
Fiscal	1,313,642	1,334,840	1,161,525	173,315
Business	533,463	533,463	439,984	93,479
Operations and maintenance.	3,963,535	3,977,729	3,795,411	182,318
Pupil transportation	2,816,064	2,822,171	2,847,695	(25,524)
Central.	261,720	263,037	236,552	26,485
Operation of non-instructional services:				
Other non-instructional services	-	1,000	-	1,000
Extracurricular activities.	819,735	820,235	802,404	17,831
Debt service:				
Principal	323,005	323,005	323,005	-
Interest and fiscal charges.	3,230	3,230	3,230	-
Total expenditures	<u>47,505,422</u>	<u>47,633,116</u>	<u>46,662,408</u>	<u>970,708</u>
Excess of revenues over (under) expenditures	<u>(2,635,616)</u>	<u>(2,356,959)</u>	<u>(1,053,711)</u>	<u>1,303,248</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	100,583	100,583
Issuance of notes	-	323,005	-	(323,005)
Transfers in	17,810	17,810	24,247	6,437
Transfers (out).	(75,960)	(80,207)	(80,207)	-
Advances in.	220,000	220,000	-	(220,000)
Advances (out)	(220,000)	(220,000)	-	220,000
Total other financing sources (uses)	<u>(58,150)</u>	<u>260,608</u>	<u>44,623</u>	<u>(215,985)</u>
Net change in fund balance	(2,693,766)	(2,096,351)	(1,009,088)	1,087,263
Fund balance at beginning of year	10,289,133	10,289,133	10,289,133	-
Prior year encumbrances appropriated	276,187	276,187	276,187	-
Fund balance at end of year	<u>\$ 7,871,554</u>	<u>\$ 8,468,969</u>	<u>\$ 9,556,232</u>	<u>\$ 1,087,263</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust Unclaimed Monies	Agency
Assets:		
Equity in pooled cash and cash equivalents . . .	\$ 7,929	\$ 124,463
Receivables:		
Accounts	-	29
Total assets.	7,929	\$ 124,492
Liabilities:		
Accounts payable.	-	\$ 117
Due to students.	-	124,375
Total liabilities	-	\$ 124,492
Net position:		
Held in trust for unclaimed monies	7,929	
Total net position.	\$ 7,929	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private-Purpose Trust Unclaimed Monies</u>
Net position at beginning of year.	\$ 7,929
Net position at end of year	<u>\$ 7,929</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Brecksville-Broadview Heights City School District (the "District") operates under a locally-elected Board form of government and provides educational services as authorized by State and Federal agencies. This Board controls the District's 6 instructional and 2 support facilities staffed by 281 non-certified employees, 269 certified employees and 22 administrative employees to provide services to 4,025 students and other community members.

The District was established in 1883 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The District serves an area of approximately 27 square miles. It is located in Cuyahoga County, including all of the territory of the City of Brecksville, most of the City of Broadview Heights and a small portion of the City of North Royalton.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Cities of Brecksville and Broadview Heights - The city governments of Brecksville and Broadview Heights are each a separate body politic and corporate. Each city elects a mayor and council independent of any District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority.

Cuyahoga County Public Library - The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies.

Parent School Organization - The District is not involved in budgeting or managing the association, is not responsible for any debt of the association and has no influence over the association.

The District participates in an insurance purchasing pool, a risk sharing pool and three jointly governed organizations. These organizations are presented in Notes 18 and 19 to the basic financial statements.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental and those that are considered business-type. However, the School District has only governmental activities; therefore no business-type activities are presented.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General fund - The general fund is the operating fund of the District and accounts and reports for all financial resources except those required to be accounted for and reported in another fund. The general fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for unclaimed monies for employees. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes a fair value of the derivative instrument and a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which are reported in the government-wide statement of net position.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes, intergovernmental grants, earnings on investments and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education (the "Board") may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer/CFO has been given authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer/CFO. The amounts reported as the original and final budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original and final appropriations were passed by the Board.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

G. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2014, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit (negotiable CD's), U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$114,795, which includes \$37,631 assigned from other District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the cash management pool are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

H. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	15 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 10 Years
Textbooks	8 Years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position. The District had no interfund balances at June 30, 2014.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for administrators and classified staff after five years of service and teachers after ten years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Non-Public Schools

Within the District boundaries, there is located the Assumption School, Lawrence School and South Suburban Montessori School. Current State legislation provides for funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer/CFO of the District, as directed by the nonpublic schools. These transactions are reported in a nonmajor governmental fund and as a governmental activity of the District.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the District Board of Education. In the general fund, assigned amounts represent intended uses established by the District Board of Education or a District official delegated that authority by State statute. State statute authorizes the Treasurer/CFO to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the District had no extraordinary or special items.

S. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balance

Fund balances at June 30, 2014 included the following individual fund deficit:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Title I	\$ 30,876

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities. The deficit fund balance in this nonmajor governmental fund is reported as deficit unassigned fund balance in the fund financial statements.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer/CFO by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the District had \$900 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$3,305,841. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$3,156,074 of the District's bank balance of \$3,656,074 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District'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 District. The District 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 District to a successful claim by the FDIC.

C. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater Than 24 months</u>
FHLB	\$ 2,358,649	\$ -	\$ -	\$ -	\$ 625,044	\$ 1,733,605
FHLMC	3,119,942	-	-	611,183	955,411	1,553,348
FNMA	5,796,678	-	-	-	3,108,217	2,688,461
Negotiable CD's	740,598	-	-	-	-	740,598
U.S. government money						
market mutual funds	239,301	239,301	-	-	-	-
STAR Ohio	1,882	1,882	-	-	-	-
Total	<u>\$ 12,257,050</u>	<u>\$ 241,183</u>	<u>\$ -</u>	<u>\$ 611,183</u>	<u>\$ 4,688,672</u>	<u>\$ 6,716,012</u>

The weighted average maturity of investments is 2.45 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. government money market mutual funds were rated AAAM by Standard & Poor's. The negotiable CD's are covered by the FDIC. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 2,358,649	19.24
FHLMC	3,119,942	25.45
FNMA	5,796,678	47.30
Negotiable CD's	740,598	6.04
U.S. government money		
market mutual funds	239,301	1.95
STAR Ohio	1,882	0.02
Total	<u>\$ 12,257,050</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,305,841
Investments	12,257,050
Cash on hand	<u>900</u>
Total	<u>\$ 15,563,791</u>

<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 15,431,399
Private-purpose trust fund	7,929
Agency funds	<u>124,463</u>
Total	<u>\$ 15,563,791</u>

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$37,575,833
Intergovernmental	483,559
Accrued interest	14,385
Accounts	<u>41,001</u>
 Total	 <u><u>\$38,114,778</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$5,722,292 in the general fund, \$443,936 in the bond retirement fund debt service and \$287,026 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$4,150,095 in the general fund, \$322,448 in the bond retirement fund and \$208,287 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 981,092,680	97.50	\$ 986,212,520	97.37
Public utility personal	<u>25,140,030</u>	<u>2.50</u>	<u>26,605,640</u>	<u>2.63</u>
Total	<u>\$ 1,006,232,710</u>	<u>100.00</u>	<u>\$ 1,012,818,160</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 77.20		\$ 77.20	

NOTE 7 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,009,088)
Net adjustment for revenue accruals	2,071,678
Net adjustment for expenditure accruals	587,529
Net adjustment for other sources/uses	(426,818)
Funds budgeted elsewhere **	14,403
Adjustment for encumbrances	331,692
GAAP basis	<u>\$ 1,569,396</u>

** The public school support fund is legally budgeted as a separate special revenue fund; however, this fund is considered part of the general fund on a GAAP basis.

NOTE 8 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General fund	\$ 212,639
Nonmajor governmental funds	859,201
Total	<u>\$ 1,071,840</u>

NOTE 9 - CAPITAL LEASE

In prior fiscal years, the District entered into capital lease agreements for copiers. These leases meet the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$176,382, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$44,096 leaving a current book value of \$132,286.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL LEASE - (Continued)

A corresponding liability was recorded in the statement of net position. Principal payments in the 2014 fiscal year totaled \$33,055. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liabilities reported on the statement of net position. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2015	\$ 41,062
2016	41,062
2017	<u>41,062</u>
Total minimum lease payments	123,186
Less: amount representing interest	<u>(10,949)</u>
Total	<u>\$ 112,237</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance 07/01/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,088,833	\$ -	\$ -	\$ 3,088,833
Total capital assets, not being depreciated	<u>3,088,833</u>	<u>-</u>	<u>-</u>	<u>3,088,833</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	50,368,710	256,729	-	50,625,439
Furniture and equipment	10,108,646	39,167	(1,182)	10,146,631
Vehicles	4,976,820	421,045	(394,265)	5,003,600
Textbooks	<u>2,879,876</u>	<u>-</u>	<u>-</u>	<u>2,879,876</u>
Total capital assets, being depreciated	<u>68,334,052</u>	<u>716,941</u>	<u>(395,447)</u>	<u>68,655,546</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(24,779,558)	(1,382,551)	-	(26,162,109)
Furniture and equipment	(8,553,277)	(312,790)	1,182	(8,864,885)
Vehicles	(2,862,990)	(299,622)	382,640	(2,779,972)
Textbooks	<u>(2,097,828)</u>	<u>(283,771)</u>	<u>-</u>	<u>(2,381,599)</u>
Total accumulated depreciation	<u>(38,293,653)</u>	<u>(2,278,734)</u>	<u>383,822</u>	<u>(40,188,565)</u>
Governmental activities capital assets, net	<u>\$ 33,129,232</u>	<u>\$ (1,561,793)</u>	<u>\$ (11,625)</u>	<u>\$ 31,555,814</u>

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,738,494
Special	11,674
Vocational	1,019
Adult continuing instruction	380

Support services:

Pupil	47,068
Instructional staff	3,494
Administration	3,850
Fiscal	2,855
Business	43,888
Operations and maintenance	92,193
Pupil transportation	281,179

Operation of non-instructional services:

Food service operations	32,459
Other non-instructional services	3,416

Extracurricular activities 16,765

Total depreciation expense \$ 2,278,734

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**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS

During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance 07/01/13	Increase	Decrease	Balance 06/30/14	Amount Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds					
2013 School Improvement Refunding Bonds					
Serial Bonds	\$ 10,480,000	\$ -	\$ (50,000)	\$ 10,430,000	\$ 50,000
2013 Energy Conservation Bonds					
Serial Bonds	1,280,000	-	-	1,280,000	200,000
Premium on Bonds	64,374	-	(6,259)	58,115	-
Total General Obligation Bonds	<u>11,824,374</u>	<u>-</u>	<u>(56,259)</u>	<u>11,768,115</u>	<u>250,000</u>
Refunding Notes					
2006 High School Refunding Notes					
Cash Flow Savings	7,355,000	-	(1,670,000)	5,685,000	1,775,000
	<u>318,759</u>	<u>-</u>	<u>(93,295)</u>	<u>225,464</u>	<u>-</u>
Total Refunding Notes	<u>7,673,759</u>	<u>-</u>	<u>(1,763,295)</u>	<u>5,910,464</u>	<u>1,775,000</u>
Other Long-Term Obligations					
Capital Leases Payable	145,292	-	(33,055)	112,237	35,143
Timely Retirement Incentive Plan	180,000	-	(180,000)	-	-
Resignation Incentive	7,500	-	(7,500)	-	-
Compensated Absences Payable	4,763,583	845,132	(551,287)	5,057,428	449,888
Cash Flow Hedging Derivative Instrument	801,131	-	(339,865)	461,266	-
Total Other Long-Term Obligations	<u>5,897,506</u>	<u>845,132</u>	<u>(1,111,707)</u>	<u>5,630,931</u>	<u>485,031</u>
Total Governmental Activities	<u>\$ 25,395,639</u>	<u>\$ 845,132</u>	<u>\$ (2,931,261)</u>	<u>\$ 23,309,510</u>	<u>\$ 2,510,031</u>

Compensated absences will be paid from the general fund and the following nonmajor governmental funds: the food service fund, the child care fund, the IDEA-B fund and the Title I fund.

The balance of timely retirement and resignation incentives were paid in fiscal year 2014 from the general fund.

See Note 9 for detail on the District's capital lease obligations.

Series 2013 Refunding Bonds

On May 7, 2013, the District issued \$10,480,000 in Series A school improvement refunding bonds in order to refund a portion of the Series 2006 high school refunding bonds in order to take advantage of lower interest rates. The Series 2013 refunding bonds bear interest rates ranging from 1.221% to 2.318% and mature on December 1, 2021. These bonds are paid from the bond retirement fund.

The District deposited \$12,177,798 in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded Series 2006 high school refunding bonds. As a result, \$11,195,000 of these bonds were considered defeased and the liability has been removed from the basic financial statements. As of June 30, 2014, the outstanding amount of the refunded Series 2006 high school refunding bonds is \$11,195,000.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price (payment to the refunded bond escrow agent) exceeded the net carrying amount (par value of the bonds less unamortized deferred charges) of the old debt by \$1,033,690. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Series 2013 Energy Conservation Bonds

On May 7, 2013, the District issued \$1,280,000 in Series B energy conservation improvement bonds for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy. These bonds are paid from the bond retirement fund and will mature in December 2019.

Series 2006 High School Refunding Notes

On October 16, 2006, the District issued \$8,920,000 in school improvement refunding notes to refund a portion of the high school general obligation issues in order to take advantage of lower interest rates. These notes are paid from the bond retirement fund and will mature in December 2016.

In April 2004, the District entered into an agreement to issue and sell to Bank One NA variable interest rate notes dated October 2, 2006, in the amount of \$8,920,000. The District decided to enter into the agreement based upon the net present value savings of 6.17 percent which fell within the 3 percent to 5 percent pre-determined savings criteria. The District also analyzed the bond market at the time and determined the agreement to be economically feasible. On October 16, 2006, the District issued and sold variable interest rate notes in the amount of \$8,920,000 to Bank One NA. The notes have scheduled maturities which began on December 1, 2012 and end December 1, 2016. The notes have a variable interest rate of .65 multiplied times the sum of the one-month London Interbank Offered Rate (LIBOR) plus .90. Proceeds of the notes were used to refund \$8,920,000 of the Series 1996 bonds.

In April 2004, the District and Bank One also agreed to enter into an interest rate swap agreement. This cash flow hedging derivative instrument is a pay-fixed swap (swap) reported in the governmental activities. Bank One agreed to pay interest at a variable rate on a notional amount equal to the unpaid principal amount of the notes and the District agreed to pay interest on the notional amount at a fixed rate equal to the rate of the refunded 1996 bonds. The District received an upfront payment from Bank One, NA of \$648,100 representing the present value of the debt service savings to be achieved through the refunding based on a notional amount of \$8,920,000. This upfront payment is being amortized using the straight line method over the life of the notes. The swap terminates on December 1, 2016.

The objective of the interest rate swap transaction with the Bank would be to hedge the exposure of the District against interest rate fluctuations arising from the variable rates borne by those Bond Anticipation Notes. Under the swap agreement, the District is the fixed rate payer, paying 6.5 percent on the 2006 Refunding Notes. The counterparty, the Bank, is the floating rate payer, paying the actual variable rate borne by the notes. The floating rate is determined in accordance with the one-month LIBOR Index. The floating rate is calculated as .65 multiplied times the sum of the one-month London Interbank Offered Rate (LIBOR) plus .90.

Both the note rate and the LIBOR Index are known and reset monthly and payable semiannually on June 1 and December 1. Additionally, the notional amount of the swap is equal to the par amount of the Refunding Notes and both are set to mature on December 1, 2016. Based on the criteria of consistent critical terms, the swap was determined to be effective for 2014.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

As of June 30, 2014, the swap had a negative fair value of \$461,266 estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The fair value at June 30, 2014 is reported on the statement of net position as a deferred outflow of resources and a long-term liability. Changes in fair value were reported on the statement of net position as a decrease in deferred outflows of resources and long-term liability due in more than one year.

The District is exposed to interest rate risk on its pay-fixed interest rate swap. As the LIBOR decreases, the District's net payment on the swap increases.

The swap agreements may be terminated prior to their stated termination date under certain circumstances. Upon termination, a payment may be owed by the District to the Bank, or by the Bank to the District, depending upon the prevailing economic circumstances at the time of the termination.

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Refunding Notes		
	Principal	Interest	Total	Principal	Interest	Hedging Derivative, Net
2015	\$ 250,000	\$ 217,402	\$ 467,402	\$ 1,775,000	\$ 71,021	\$ 240,817
2016	255,000	210,327	465,327	1,895,000	43,856	148,706
2017	260,000	203,102	463,102	2,015,000	13,915	50,573
2018	2,320,000	183,376	2,503,376	-	-	-
2019	2,345,000	147,839	2,492,839	-	-	-
2020 - 2022	6,280,000	187,119	6,467,119	-	-	-
Total	<u>\$ 11,710,000</u>	<u>\$ 1,149,165</u>	<u>\$ 12,859,165</u>	<u>\$ 5,685,000</u>	<u>\$ 128,792</u>	<u>\$ 440,096</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$76,659,523, including available funds of \$2,900,889, and an unvoted debt margin of \$1,012,818.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	697,383
Current year offsets	<u>(697,383)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

NOTE 13 - RISK MANAGEMENT

A. Workers' Compensation

For fiscal year 2014, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control, and actuarial services to the GRP.

B. Property and Liability

The District 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. During fiscal year 2014, the District participated in the Ohio Schools' Council's insurance program through Ohio Casualty and Travelers Property Casualty Company of America for various types of insurance.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

The District had the following coverages in place during fiscal year 2014:

Company	Type of Coverage	Coverage
Ohio Casualty	Property	\$ 146,146,848
	Commercial Umbrella Liability	10,000,000
	Inland Marine	5,682,013
	Crime	425,000
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Fleet Insurance, single limit	1,000,000
	Fleet Insurance, uninsured	1,000,000
	Employee Benefits Liability, limit	1,000,000
	Employee Benefits Liability, aggregate	3,000,000
	Travelers Property Casualty Co.	Boiler and Machinery

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

C. Employee Health Benefits

For fiscal year 2014, the District was a participant in the Suburban Health Consortium (the “Consortium”) to provide employee medical/surgical and prescription drug benefits. The Consortium is administered by Medical Mutual of Ohio. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The District’s portion of the monthly medical insurance premium is \$396.30 for single coverage and \$842.16 for family coverage for full-time employees. The District’s portion of the monthly prescription drug insurance premium is \$109.24 for single coverage and \$232.13 for family coverage for fulltime employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District’s account balance or the Directors have the right to hold monies for an existing school district subsequent to the settlement of all expenses and claims.

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 – CONTINGENCIES - (Continued)

B. Litigation

The District is not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

NOTE 15 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the District Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,058,419, \$1,042,721 and \$992,761, respectively; 83.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,067,285, \$3,105,463 and \$3,130,653, respectively; 84.40 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$151,141 made by the District and \$118,753 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$134,484, \$146,940 and \$166,046, respectively; 83.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$61,404, \$58,902 and \$58,628, respectively; 83.33 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$235,945, \$235,357 and \$235,316, respectively; 84.40 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 17 - OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to full-time employees and in an amount equal to double the employee's annual salary for administrators and administrative support staff positions from Anthem Life Insurance Company through the Suburban Health Consortium.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Twelve month administrative personnel earn 20 days vacation leave and after 10 years of service, 25 days of vacation leave are earned.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for 28 percent of the total sick leave accumulation, up to a maximum accumulation of 88 days for certificated employees and 101 days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS. Upon retirement for administrators, payment is made for 30 percent of the total sick leave accumulation. Upon retirement for administrative support employees, payment is made for 30 percent of the total sick leave accumulation up to a maximum accumulation of 90 days.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - OTHER EMPLOYEE BENEFITS - (Continued)

C. Retirement Incentives

The District offered two retirement incentives. One incentive offered each teacher, who as of June 30, 2011, was eligible to retire under any State Teachers Retirement System (STRS) guidelines, was eligible to participate in a Timely Retirement Incentive Plan (TRIP) that provides annual cash payments of \$15,000 on January 2012, January 2013 and January 2014. The District had eleven teachers participate. A second retirement incentive plan was approved by the Board for those teachers who provided written notification of their impending retirement by June 24, 2011. This incentive provides annual cash payments of \$7,500 in January 2012, January 2013 and January 2014. The District had two teachers participate. The retirement incentives were paid in fiscal year 2014 and there is no remaining liability at June 30, 2014.

D. Resignation Incentive

Any teacher who as of July 1, 2010, is at MA, Step 15 on the 2010-2011 Teacher Salary Schedule was eligible to participate in a Resignation Incentive Plan (RIP) that provides annual cash payments of \$7,500 on January 2012, January 2013 and January 2014. To receive this incentive, the teacher had to provide written notification on or before June 1, 2011. The District had one teacher participate. The resignation incentive was paid in fiscal year 2014 and there is no remaining liability at June 30, 2014.

NOTE 18 - PUBLIC ENTITY RISK POOLS

A. Insurance Purchasing Pool

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Shared Risk Pool

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833.

The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also sets all premiums and other amounts to be paid by the Consortium Members and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 18 - PUBLIC ENTITY RISK POOLS - (Continued)

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Board of Directors and carry out such other responsibilities as approved by the Board of Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Board of Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Members' current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. North Coast Council

The North Coast Council (NCC) is a jointly governed computer service bureau owned and operated by thirty-two public school districts and two educational service centers. The primary function of NCC is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by NCC include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. NCC is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents). NCC's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. NCC's current membership includes the Educational Service Center of Cuyahoga County, the Educational Service Center of Lorain County and thirty-two school districts in Cuyahoga, Huron, Lorain and Medina Counties. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of NCC. Each school district supports NCC based upon a per pupil charge dependent upon the software packages used. In fiscal year 2014, the District paid \$117,734 to NCC. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

B. Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center (Center), a joint vocational school district, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possesses its own taxing authority. The Center's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Cuyahoga Valley Career Center is not part of the District and its operations are not included as part of the reporting entity. The District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2014. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

C. Ohio Schools' Council

The Ohio Schools Council (Council) is a jointly governed organization among 199 school districts, joint vocational school districts, educational service centers and County Boards of Developmental Disabilities. The jointly governed organization was created for the purpose of saving money through volume purchases. Each member supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the District paid \$152,947 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager for the natural gas purchase program. There are currently 151 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

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**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	\$45,241	\$90,798
		<u>762,083</u>	<u>707,080</u>
Total Special Education -Grants to States		807,324	797,878
Special Education - Preschool Grants	84.173	(608)	
		<u>20,974</u>	<u>20,189</u>
Total Special Education- Preschool Grants		20,366	20,189
Total Special Education Cluster		<u>827,690</u>	<u>818,067</u>
Title I Grants to Local Educational Agencies	84.010	77,077	14,535
		<u>266,511</u>	<u>266,388</u>
Total Title I Grants to Local Educational Agencies		343,588	280,923
Improving Teacher Quality State Grants	84.367	(652)	167
		<u>62,338</u>	<u>49,337</u>
Total Improving Teacher Quality State Grants		61,686	49,504
English Language Acquisition Grants	84.365	9,528	1,962
		<u>18,056</u>	<u>16,886</u>
Total English Language Acquisition Grants		27,584	18,848
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2,800	2,800
Total U.S. Department of Education		1,263,348	1,170,142
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	284,495	284,495
Non-Cash Assistance	10.555	60,594	60,594
School Breakfast Program	10.553	5,334	5,334
Total Child Nutrition Cluster		<u>350,423</u>	<u>350,423</u>
Total U.S. Department of Agriculture		350,423	350,423
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Direct:</i>			
Drug-Free Communities Support Program Grants	93.276	17,158	19,366
		18,824	27,912
		<u>111,238</u>	<u>102,248</u>
Total Drug-Free Communities Support Program Grants		<u>147,220</u>	<u>149,526</u>
Total U.S. Department of Health and Human Services		147,220	149,526
Totals		<u>\$1,760,991</u>	<u>\$1,670,091</u>

The accompanying notes are an integral part of this schedule.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio (the District's) Federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends Federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's (ODE) consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2013 to 2014</u>
Improving Teacher Quality State Grants	84.367	\$652
Special Education- Preschool Grants	84.173	608



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

Brecksville-Broadview Heights City School District
Cuyahoga County
6638 Mill Road
Brecksville, Ohio 44141

To the Board of Education:

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District'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 District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 30, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Brecksville-Broadview Heights City School District
Cuyahoga County
6638 Mill Road
Brecksville, Ohio 44141

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Brecksville-Broadview Heights City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 30, 2015

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Child Nutrition Cluster, CFDA 10.555 and 10.553; ➤ Title I Grants to Local Educational Agencies, CFDA 84.010.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA 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 24, 2015**