



**Auditor of State  
Betty Montgomery**



**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Bright Local School District  
Highland County  
44 N. High Street  
Mowrystown, Ohio 45155

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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 Bright Local School District, Highland County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule presented is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, but is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 27, 2006

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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As management of the Bright Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2005. The intent of this discussion is to look at the School District's performance as a whole, and we encourage readers to consider the information presented here to enhance their understanding of the School District's overall financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued June 1999.

### **Financial Highlights**

- The assets of the Bright Local School District exceeded its liabilities at June 30, 2005 by \$18,650,037.
- The School District's net assets decreased by \$146,937 during this year's operations.
- General revenues accounted for \$5,928,741 or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,625,215 or 22 percent of all revenues of \$7,553,956.
- The School District had \$7,700,893 in expenses related to governmental activities; only \$1,625,215 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the School District's financial situation as a whole and also give a detailed view of the School District's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. 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 School District's major funds, with all other non-major funds presented in total in one column.

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**Reporting the School District as a Whole**

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by private sector companies, and reports the net assets and changes to those assets. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits, as commercial entities do. One must also consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds, and the analysis of the major funds begins on page 6. The School District uses many funds to account for a multitude of financial transactions. The major funds for the Bright Local School District are the General, Debt Service, and Classroom Facilities Construction Funds.

**Governmental Funds** – Most of the School 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 the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds** – The School District's only fiduciary fund is an agency fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

As stated previously, the Statement of Net Assets looks at the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years ended 2005 and 2004.



**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 1  
 Net Assets  
 Governmental Activities

	2005	2004
<b>Assets</b>		
Current and Other Assets	\$5,767,429	\$5,112,861
Capital Assets	16,765,111	17,370,022
Total Assets	22,532,540	22,482,883
<b>Liabilities</b>		
Long-Term Liabilities	1,162,411	1,252,791
Other Liabilities	2,720,092	2,433,118
Total Liabilities	3,882,503	3,685,909
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	15,776,189	16,275,596
Restricted	1,459,586	1,418,261
Unrestricted	1,414,262	1,103,117
Total Net Assets	\$18,650,037	\$18,796,974

Total assets increased by \$49,657. Cash increased by \$498,605, due mainly to increases in federal and State grants, tuition and fees, interest revenue and property taxes, offset by only slight increases in disbursements. The decrease in property taxes was due to a reduction in millage for debt service, offset by the onset of collection of revenues related to a new permanent improvement levy. Taxes receivable increased as a result of the new levy. These increases were offset by a decrease in capital assets as a result of recognizing \$682,246 in depreciation for 2005. Unrestricted net assets increased due to the increase in cash.

Table 2, on the following page, shows the highlights of the School District's revenues and expenses. These two main components are netted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants and interest. General Revenues include taxes, unrestricted grants, such as state foundation support and unrestricted investment earnings.

**Bright Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2005**  
**Unaudited**

Table 2  
Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$432,730	\$356,263
Operating Grants, Contributions and Interest	1,192,485	1,042,167
Capital Grants and Contributions	0	18,975
Total Program Revenues	<u>1,625,215</u>	<u>1,417,405</u>
General Revenues:		
Property Taxes	1,416,010	1,426,373
Grants and Entitlements not Restricted to Specific Programs	4,391,775	4,302,202
Investment Earnings	65,865	27,205
Miscellaneous	55,091	64,240
Total General Revenues	<u>5,928,741</u>	<u>5,820,020</u>
Total Revenues	<u>7,553,956</u>	<u>7,237,425</u>
<b>Program Expenses</b>		
Instruction:		
Regular	3,234,881	3,093,554
Special	782,826	596,699
Vocational	181,909	157,572
Support Services:		
Pupils	330,244	296,604
Instructional Staff	513,413	439,970
Board of Education	47,678	63,759
Administration	450,925	447,435
Fiscal	294,691	268,898
Business	992	1,229
Operation and Maintenance of Plant	614,219	583,916
Pupil Transportation	803,517	787,290
Operation of Non-Instructional Services:		
Food Service Operations	269,788	273,788
Other	5,735	4,491
Extracurricular Activities	101,571	97,147
Interest and Fiscal Charges	68,504	77,216
Total Expenses	<u>7,700,893</u>	<u>7,189,568</u>
Increase in Net Assets	(146,937)	47,857
Net Assets - Beginning of Year	<u>18,796,974</u>	<u>18,749,117</u>
Net Assets - End of Year	<u>\$18,650,037</u>	<u>\$18,796,974</u>

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Charges for Services decreased by \$76,467 due mainly to a decrease in tuition and fees related to an increase open enrollment. Operating Grants, Contributions and Interest increased by \$150,318 due to increases in restricted Federal grants in 2005.

Investment Earnings increased by \$38,660, due to a significant increase in interest rates during 2005.

Total expenses increased by \$511,325. This was due to increases in several areas. Regular instruction increased by \$141,327, due to salary increases and health care costs. Special Instruction increased by \$186,127 due to the addition of special education teachers upon the receipt of additional preschool funding. Vocational education expenses rose \$24,337, due to primarily to the retirement of a teacher who received a severance payment prior to year end. Support Services – Pupils increased by \$33,640, due to an increase in expenses related to services provided to the School District by Hopewell Special Education Regional Resource Center, as their State and Federal funding was cut during the year. In addition the School District received an additional grant that was used to cover expenses related to pupil support services. Finally, Support Services – Instructional Staff increased by \$73,433 because the School District received a grant that the School District used to pay for preschool aids and data based student progress monitoring from this function.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and sales and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs, and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns represents restricted grants, fees and donations.

Table 3  
 Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Instruction	\$4,199,616	\$3,847,825	\$3,196,047	\$3,005,342
Support Services	3,055,679	2,889,101	2,723,478	2,582,308
Operation of Non- Instructional Services	275,523	278,279	19,213	16,936
Extracurricular Activities	101,571	97,147	68,436	69,588
Interest and Fiscal Charges	68,504	77,216	68,504	77,216
Total Expenses	<u>\$7,700,893</u>	<u>\$7,189,568</u>	<u>\$6,075,678</u>	<u>\$5,751,390</u>

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,639,765 and expenditures of \$7,283,874. The net change in fund balance was most significant in the General Fund, an increase of \$248,675. This was caused primarily by a \$141,275 increase in state foundation monies and a \$63,928 increase in tuition and fees. The increase in fund balance was significantly lower than the increase of \$515,893 in 2004, due to overall increases in expenditures.

The Debt Service Fund saw a decrease in fund balance this year of \$32,838, due to a decrease in property taxes of \$158,911 and related intergovernmental revenues of \$18,787. Millage was reduced in this fund because the taxes being collected exceeded the amount necessary to service the debt.

The net change in fund balance in the Classroom Facilities Construction Fund of \$2,715 was very small, as the School District is only collecting interest in this fund, and had no allowable expenditures for maintenance in this fund during the fiscal year.

**General Fund – Budget Highlights**

The School District's budget is prepared according to the requirements of the Ohio law, and is based on cash receipts, disbursements and encumbrances. During the course of fiscal year 2005, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison presented between the final budgeted amount and the actual amount.

The School District's ending unobligated cash balance was \$763,956 above the final budgeted amount for the General Fund.

For the General Fund, original budgeted revenues were \$5,710,694 and final budgeted revenues were \$5,995,553. This represents an increase in estimated revenue of \$284,859, which was primarily due to increases in intergovernmental revenue. The difference between actual budget basis revenues and final budgeted revenues was \$100,421, which was due to increases in interest and miscellaneous revenues.

Original budgeted expenditures in the General Fund were \$6,022,894 and final budgeted expenditures were \$6,617,282. This represents an increase in estimated expenditures of \$594,388, due to overall increases in expenditures during the fiscal year. The difference between actual budget basis expenditures and final budgeted expenditures was \$641,931, which was due primarily to increases in expenditures for regular instruction.

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**Capital Assets and Debt Administration**

***Capital Assets***

The Bright Local School District's investment in capital assets as of June 30, 2005 was \$16,765,111. The investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4  
 Capital Assets at June 30  
 (Net of Depreciation)  
 Governmental Activities

	2005	2004
Land	\$192,775	\$192,775
Land Improvements	469,269	516,195
Buildings and Improvements	15,153,015	15,602,446
Furniture and Equipment	694,548	803,580
Vehicles	255,504	255,026
Totals	\$16,765,111	\$17,370,022

Net capital assets decreased by \$604,911 from the prior year. This is due to an increase in accumulated depreciation of \$682,246, offset by additions of capital assets of \$77,335.

For more information on capital assets, refer to note 8 to the basic financial statements.

***Debt***

At June 30, 2005, the School District had \$985,000 in bonds outstanding, \$105,000 due within one year. Table 5 summarizes the bonds outstanding at year-end.

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 5  
 Outstanding Debt, at Year End  
 Governmental Activities

	2005	2004
General Obligation Bonds:		
1985 School Improvement Bonds	\$300,000	\$375,000
General Obligation Bonds:		
1998 School Improvement Bonds	685,000	710,000
Totals	\$985,000	\$1,085,000

**School Improvement Bonds** – In July 1985, the School District issued \$1,685,861 in voted general obligation bonds for the purpose of making improvements to the high school building. The bonds were issued for a twenty-three year period, with final maturity at December 1, 2008. The bonds will be retired from the Debt Service Fund.

**School Improvement Bonds** – In June 1998, the School District issued school improvement bonds in the amount of \$875,000 for the construction of a new elementary school and renovations to the high school building. The bonds were issued for a twenty-three year period, with final maturity in 2021. The bonds will be paid from the Debt Service Fund.

The School District's overall legal debt margin was \$5,422,194 with an unvoted debt margin of \$60,932 at June 30, 2005.

For more information on debt, refer to note 14 to the basic financial statements.

**Financial Issues/Concerns**

On March 7, 2005, the Ohio Department of Education released Bright Local School District from Fiscal Caution. Reductions in staff, realigning duties and eliminating some course offerings aided in obtaining financial stability. Additionally, the District was successful in passing a three-year permanent improvement levy. These monies are being used to purchase new busses and textbooks, which has relieved the General Fund of significant expenses.

A major concern for the Bright Local School District is the rising cost of health care and excessive claims we have been experiencing. Bright Local is in a consortium of school districts to purchase insurance benefits at a group rate. We have accumulated a deficit balance due to excessive claims over the last three fiscal years. In fiscal year 2003, the District switched to a PPO type health insurance away from the expensive traditional plan. The Consortium is continually looking at possibilities for cost savings in plan design to offset the rising costs. The School District has implemented these new plan designs to offset the higher premium costs. Health care costs pose a serious threat to the fiscal well being of the Bright Local School District.

**Bright Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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Declining enrollment due to other educational options (ie: home schooling, community schools, virtual classrooms) has negatively affected our funding as well. Our District is more than 70 percent funded by the State of Ohio, therefore, any changes in state funding have a profound impact upon us. Currently, the State of Ohio is experiencing financial difficulties and continually changes the manner in which school districts are funded. In addition, because of the increased accountability imposed by the State and restructuring of the statewide testing system, the District has been forced to realign programs and courses of study at its own expense.

Other factors include the increasing costs of utilities and fuel for bussing. Through the Ohio School Boards Association, the School District is in a cooperative that purchases electricity at a discounted rate. We were also successful in securing a fixed price on propane for fiscal year 2006, by working with surrounding schools when seeking quotes. However, instability of the energy costs could significantly impact our utility and fuel expenses.

The School District decided to offer all day, every day kindergarten beginning in fiscal year 2004. Factors that influenced the decision were our Academic Watch status, poor student performance on State tests and the unpreparedness of the children entering school. We were able to fund this program through title grant monies. It will take up to four years to realize the results of this decision. We were also awarded a handicapped preschool unit beginning in fiscal year 2005. With the addition of these two programs, we hope to improve our academic status, which will in turn positively impact our financial status.

In fiscal year 2004, District personnel began aggressively pursuing grant funding. We received over \$80,000 in additional grant funding for fiscal year 2004, and were successful in securing even more for fiscal year 2005. However, grant funding has become increasingly limited and therefore more competitive. We were not able to secure as much grant funding as we had in the previous two years for the upcoming fiscal year.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School 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 information, contact Blinda Boothby, Treasurer, at Bright Local School District, P.O. Box 9, Mowrystown, Ohio 45155.

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**Bright Local School District**  
Statement of Net Assets  
June 30, 2005

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,002,734
Prepaid Items	3,407
Materials and Supplies Inventory	2,494
Intergovernmental Receivable	172,363
Taxes Receivable	1,586,431
Capital Assets:	
Land	192,775
Depreciable Capital Assets, Net	16,572,336
<i>Total Assets</i>	22,532,540
<b>Liabilities</b>	
Accounts Payable	10,252
Accrued Wages and Benefits Payable	486,874
Intergovernmental Payable	659,071
Deferred Revenue	1,386,073
Matured Compensated Absences Payable	20,165
Accrued Interest Payable	5,416
Claims Payable	152,241
Long-Term Liabilities:	
Due Within One Year	123,946
Due in More Than One Year	1,038,465
<i>Total Liabilities</i>	3,882,503
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	15,776,189
Restricted for:	
Capital Projects	198,804
Debt Service	921,292
Set-Asides	22,449
Other Purposes	317,041
Unrestricted	1,414,262
<i>Total Net Assets</i>	\$18,650,037

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$3,234,881	\$266,761	\$232,547	(\$2,735,573)
Special	782,826	0	463,220	(319,606)
Vocational	181,909	0	41,041	(140,868)
Support Services:				
Pupils	330,244	231	29,199	(300,814)
Instructional Staff	513,413	430	294,590	(218,393)
Board of Education	47,678	0	0	(47,678)
Administration	450,925	0	0	(450,925)
Fiscal	294,691	0	0	(294,691)
Business	992	0	0	(992)
Operation and Maintenance of Plant	614,219	160	1,030	(613,029)
Pupil Transportation	803,517	0	6,561	(796,956)
Operation of Non-Instructional Services:				
Food Service Operations	269,788	132,913	118,917	(17,958)
Other	5,735	0	4,480	(1,255)
Extracurricular Activities	101,571	32,235	900	(68,436)
Interest and Fiscal Charges	68,504	0	0	(68,504)
<b>Total Governmental Activities</b>	<b>\$7,700,893</b>	<b>\$432,730</b>	<b>\$1,192,485</b>	<b>(6,075,678)</b>
General Revenues:				
Property Taxes Levied for:				
				1,139,733
				113,121
				163,156
Grants and Entitlements not Restricted to Specific Programs				
				4,391,775
				65,865
				55,091
<b>Total General Revenues</b>				<b>5,928,741</b>
Change in Net Assets				(146,937)
Net Assets Beginning of Year				18,796,974
Net Assets End of Year				<b>\$18,650,037</b>

See accompanying notes to the basic financial statements

**Bright Local School District**

Balance Sheet

Governmental Funds

June 30, 2005

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,143,402	\$917,312	\$154,455	\$421,103	\$3,636,272
Materials and Supplies Inventory	0	0	0	2,494	2,494
Interfund Receivable	29,726	0	160,200	0	189,926
Intergovernmental Receivable	0	0	0	172,363	172,363
Prepaid Items	3,339	0	0	68	3,407
Property Taxes Receivable	1,281,281	76,421	0	228,729	1,586,431
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	42,667	0	0	0	42,667
<i>Total Assets</i>	<u>\$3,500,415</u>	<u>\$993,733</u>	<u>\$314,655</u>	<u>\$824,757</u>	<u>\$5,633,560</u>
<b>Liabilities</b>					
Accounts Payable	\$6,604	\$0	\$0	\$3,648	\$10,252
Accrued Wages and Benefits Payable	415,918	0	0	70,956	486,874
Matured Compensated Absences Payable	20,098	0	0	67	20,165
Interfund Payable	160,200	0	20,076	9,650	189,926
Intergovernmental Payable	155,567	0	274,353	26,348	456,268
Deferred Revenue	1,181,734	70,458	0	258,171	1,510,363
<i>Total Liabilities</i>	<u>1,940,121</u>	<u>70,458</u>	<u>294,429</u>	<u>368,840</u>	<u>2,673,848</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	212,959	0	0	45,254	258,213
Reserved for Property Taxes	99,547	5,963	0	19,024	124,534
Reserved for Budget Stabilization	22,449	0	0	0	22,449
Reserved for Bus Purchases	20,218	0	0	0	20,218
Unreserved:					
Undesignated, Reported in:					
General Fund	1,205,121	0	0	0	1,205,121
Special Revenue Funds	0	0	0	259,588	259,588
Debt Service Fund	0	917,312	0	0	917,312
Capital Projects Funds	0	0	20,226	132,051	152,277
<i>Total Fund Balances</i>	<u>1,560,294</u>	<u>923,275</u>	<u>20,226</u>	<u>455,917</u>	<u>2,959,712</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,500,415</u>	<u>\$993,733</u>	<u>\$314,655</u>	<u>\$824,757</u>	<u>\$5,633,560</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005

**Total Governmental Fund Balances** \$2,959,712

*Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	192,775	
Other capital assets	22,003,750	
Accumulated depreciation	(5,431,414)	
Total capital assets	16,765,111	16,765,111

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	75,824	
Intergovernmental	48,466	
	124,290	124,290

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets (31,249)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(985,000)	
Accrued interest on bonds	(5,416)	
Capital leases	(3,922)	
Compensated absences	(173,489)	
	(1,167,827)	(1,167,827)

**Net Assets of Governmental Activities** \$18,650,037

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,133,926	\$121,232	\$0	\$153,407	\$1,408,565
Intergovernmental	4,595,403	19,096	0	1,059,934	5,674,433
Interest	63,150	0	2,715	2,056	67,921
Tuition and Fees	266,761	0	0	0	266,761
Rent	160	0	0	0	160
Extracurricular Activities	0	0	0	32,896	32,896
Gifts and Donations	600	0	0	425	1,025
Customer Sales and Services	0	0	0	132,714	132,714
Miscellaneous	27,722	0	0	27,568	55,290
<i>Total Revenues</i>	<u>6,087,722</u>	<u>140,328</u>	<u>2,715</u>	<u>1,409,000</u>	<u>7,639,765</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	2,697,827	0	0	301,796	2,999,623
Special	432,236	0	0	296,067	728,303
Vocational	173,457	0	0	530	173,987
Support Services:					
Pupils	279,716	0	0	40,395	320,111
Instructional Staff	151,780	0	0	307,283	459,063
Board of Education	31,019	0	0	0	31,019
Administration	439,889	0	0	550	440,439
Fiscal	271,758	4,585	0	5,270	281,613
Business	992	0	0	0	992
Operation and Maintenance of Plant	537,088	0	0	48,258	585,346
Pupil Transportation	745,740	0	0	977	746,717
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	234,882	234,882
Other	107	0	0	5,628	5,735
Extracurricular Activities	71,379	0	0	30,025	101,404
Debt Service					
Principal Retirement	5,504	100,000	0	0	105,504
Interest and Fiscal Charges	555	68,581	0	0	69,136
<i>Total Expenditures</i>	<u>5,839,047</u>	<u>173,166</u>	<u>0</u>	<u>1,271,661</u>	<u>7,283,874</u>
<i>Net Change in Fund Balances</i>	248,675	(32,838)	2,715	137,339	355,891
<i>Fund Balances at Beginning of Year</i>	<u>1,311,619</u>	<u>956,113</u>	<u>17,511</u>	<u>318,578</u>	<u>2,603,821</u>
<i>Fund Balances at End of Year</i>	<u>\$1,560,294</u>	<u>\$923,275</u>	<u>\$20,226</u>	<u>\$455,917</u>	<u>\$2,959,712</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
 Reconciliation of the Change in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** \$355,891

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	77,335	
Depreciation expense	(682,246)	
Excess of capital outlay under depreciation expense		(604,911)

Because, some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	7,445	
Intergovernmental	(93,254)	
		(85,809)

The Internal Service Fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide Statement of Activities 38,942

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, this amount consisted of:

Bond payments	100,000	
Capital lease payments	5,504	
Total long-term debt repayment		105,504

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(15,124)	
Decrease in accrued interest payable	632	
Decrease in intergovernmental payable	57,938	
Total (increase)/decrease		43,446

**Change in Net Assets of Governmental Activities** (\$146,937)

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,274,979	\$1,127,122	\$1,143,889	\$16,767
Intergovernmental	4,172,402	4,579,431	4,595,211	15,780
Interest	22,778	25,000	63,150	38,150
Tuition and Fees	240,535	264,000	266,761	2,761
Rent	0	0	160	160
Gifts and Donations	0	0	600	600
Miscellaneous	0	0	26,203	26,203
<i>Total Revenues</i>	<u>5,710,694</u>	<u>5,995,553</u>	<u>6,095,974</u>	<u>100,421</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,423,892	2,729,303	2,257,405	471,898
Special	380,733	421,985	433,083	(11,098)
Vocational	156,570	164,677	174,636	(9,959)
Other	415,028	468,862	488,922	(20,060)
Support Services:				
Pupils	200,768	226,062	281,267	(55,205)
Instructional Staff	161,021	180,959	155,776	25,183
Board of Education	41,765	39,075	31,476	7,599
Administration	452,489	502,128	439,693	62,435
Fiscal	242,226	262,617	269,875	(7,258)
Business	0	0	992	(992)
Operation and Maintenance of Plant	645,917	703,204	584,576	118,628
Pupil Transportation	840,305	848,804	784,299	64,505
Operation of Non-Instructional Services:				
Other	0	0	107	(107)
Extracurricular Activities	62,180	69,606	71,247	(1,641)
Capital Outlay	0	0	1,997	(1,997)
<i>Total Expenditures</i>	<u>6,022,894</u>	<u>6,617,282</u>	<u>5,975,351</u>	<u>641,931</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(312,200)</u>	<u>(621,729)</u>	<u>120,623</u>	<u>742,352</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	50,000	50,000	0	(50,000)
Proceeds from Sale of Capital Assets	0	0	1,519	1,519
Refund of Prior Year Expenditures	0	0	192	192
Advances In	0	0	38,793	38,793
Advances Out	(50,000)	(50,000)	(18,900)	31,100
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>21,604</u>	<u>21,604</u>
<i>Net Change in Fund Balance</i>	(312,200)	(621,729)	142,227	763,956
<i>Fund Balance Beginning of Year</i>	1,655,480	1,655,480	1,655,480	0
<i>Prior Year Encumbrances Appropriated</i>	<u>165,402</u>	<u>165,402</u>	<u>165,402</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,508,682</u>	<u>\$1,199,153</u>	<u>\$1,963,109</u>	<u>\$763,956</u>

See accompanying notes to the basic financial statement

**Bright Local School District**  
Statement of Fund Net Assets  
Internal Service Fund  
June 30, 2005

	<u>Self-Insurance</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$323,795</u>
<b><u>Liabilities</u></b>	
Intergovernmental Payable	202,803
Claims Payable	<u>152,241</u>
<i>Total Liabilities</i>	<u>355,044</u>
<b><u>Net Assets</u></b>	
Unrestricted (Deficit)	<u><u>(\$31,249)</u></u>

See accompanying notes to the basic financial statements



**Bright Local School District**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2005

	<u>Self-Insurance</u>
<b><u>Operating Revenues</u></b>	
Charges for Services	\$1,063,754
<i>Total Operating Revenues</i>	1,063,754
<b><u>Operating Expenses</u></b>	
Purchased Services	68,702
Claims	956,110
<i>Total Operating Expenses</i>	1,024,812
<i>Change in Net Assets</i>	38,942
<i>Net Assets (Deficit) at Beginning of Year</i>	(70,191)
<i>Net Assets (Deficit) at End of Year</i>	(\$31,249)

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2005

<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	<u>Self-Insurance</u>
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$1,063,754
Cash Payments to Suppliers for Goods and Services	(68,702)
Cash Payments for Claims	<u>(908,168)</u>
Net Cash Provided by Operating Activities	<u>86,884</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Repayment of Short-Term Borrowing from Other Governments	(249,684)
Short-Term Borrowing from Other Governments	<u>202,803</u>
Net Cash Used for Noncapital Financing Activities	<u>(46,881)</u>
Net Increase in Cash and Cash Equivalents	40,003
Cash and Cash Equivalents at Beginning of Year	<u>283,792</u>
Cash and Cash Equivalents at End of Year	<u><u>\$323,795</u></u>
<b><u>Reconciliation of Operating Income to Net</u></b>	
<b><u>Cash Provided by Operating Activities:</u></b>	
Operating Income	\$38,942
<b><u>Adjustments to Reconcile Operating Income to Net</u></b>	
<b><u>Cash Provided by Operating Activities:</u></b>	
Increase in Claims Payable	<u>47,942</u>
Net Cash Provided by Operating Activities	<u><u>\$86,884</u></u>

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2005

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$14,800</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$14,800</u>

See accompanying notes to the basic financial statements

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**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Bright Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of 128 square miles. It is located in Highland County, including all of the Village of Mowrystown, and portions of surrounding townships. The Board of Education controls the School District’s two instructional support facilities staffed by 39 non-certified and 61 teaching personnel and administrative employees providing education to 860 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Bright Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in five organizations, two of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ross County Schools Employees Insurance Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

The financial statements of the Bright Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its Internal Service Fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets 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 Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School 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 School District.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School 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 Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 liabilities 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 School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Classroom Facilities Construction Fund* - The Classroom Facilities Construction Fund is used to account for all intergovernmental monies, debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. The Internal Service Fund is a self-insurance fund used to account for the medical, surgical and dental claims of employees.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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 current liabilities 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.



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the proprietary and 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, the recording of deferred revenue, 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. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources are collectible 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 School District; available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 for advance and grants.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 the governmental funds.

**E. Cash and Cash Equivalents**

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

During fiscal year 2005, the School District's investments were limited to repurchase agreements which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$63,150, which includes \$30,966 from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of purchased and donated food held for resale and consumable supplies.

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended revenues restricted for the purchase of buses and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

**H. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School 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 capitalized.

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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 15 years
Buildings and Building Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	3 - 15 years

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable.” These amounts are eliminated in the governmental activities columns of the Statement of Net Assets.

**J. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all twelve month employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the fund 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 that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

The amount shown as “Intergovernmental Payable” in the Classroom Facilities Construction Fund represents excess monies related to the School District’s Ohio School Facilities Commission construction project. This amount must be repaid by the School District before the Ohio School Facilities Commission can close the project, which has been completed.

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

**L. Interfund Transactions**

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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Net Assets reports \$1,459,586 of restricted net assets, of which \$1,090,446 are restricted by enabling legislation.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2005. The reserve for budget stabilization is money required by State statute to be set aside to protect against cyclical changes in revenues and expenditures.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**P. Budgetary Process**

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 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 has been authorized to allocate Board appropriations to the function and object level 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 School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, "Deposit and Investment Risk Disclosures"*, *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"* and *GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers"*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2005.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES** (continued)

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District's financial statements for fiscal year 2005.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary statements for the General Fund.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$248,675
Adjustments:	
Revenue Accruals	9,963
Expenditure Accruals	86,656
Encumbrances	(222,960)
Advances	19,893
Budget Basis	<u><u>\$142,227</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,368,748 of the School District's bank balance of \$2,468,748 was exposed to custodial credit risk because it was uninsured. However, it was collateralized by with securities held by the pledging financial institution. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. All District deposits met this requirement.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Investments

As of June 30, 2005, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	<u>\$1,678,400</u>	Less than 30 days

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 6 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Highland and Adams Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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 revenue.

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

The amount available as an advance at June 30, 2005, was \$99,547 in the General Fund, \$5,963 in the Debt Service Fund, \$2,328 in the Classroom Facilities Fund, and \$16,696 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2004, was \$109,510 in the General Fund, \$24,577 in the Debt Service Fund, and \$2,558 in the Classroom Facilities Fund.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 6 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$53,477,260	90.30%	\$55,128,430	90.47%
Public Utility	5,113,030	8.63%	5,148,880	8.45%
Tangible Personal Property	635,228	1.07%	655,122	1.08%
Total Assessed Value	<u>\$59,225,518</u>	<u>100.00%</u>	<u>\$60,932,432</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$36.49		 \$36.16	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year fiscal guarantee of federal funds. A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Ohio Reads	\$3,150
Title VI-B Idea Grant	30,652
Title I Grant	117,880
Title II-A Improving Teacher Quality Grant	13,072
Title IV-A Grant	4,122
Student Reading Intervention Grant	3,487
Total Intergovernmental Receivable	<u>\$172,363</u>

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at <u>6/30/04</u>	Additions	Deductions	Balance at <u>6/30/05</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$192,775	\$0	\$0	\$192,775
Capital Assets Being Depreciated:				
Land Improvements	756,281	0	0	756,281
Buildings and Building Improvements	18,722,699	0	0	18,722,699
Furniture, Fixtures and Equipment	1,640,562	19,405	(34,067)	1,625,900
Vehicles	812,082	57,930	0	870,012
Total Capital Assets Being Depreciated	<u>21,931,624</u>	<u>77,335</u>	<u>(34,067)</u>	<u>21,974,892</u>
Less Accumulated Depreciation:				
Land Improvements	(240,086)	(46,926)	0	(287,012)
Buildings and Building Improvements	(3,120,253)	(449,431)	0	(3,569,684)
Furniture, Fixtures and Equipment	(836,982)	(128,437)	34,067	(931,352)
Vehicles	(557,056)	(57,452)	0	(614,508)
Total Accumulated Depreciation	<u>(4,754,377)</u>	<u>(682,246)*</u>	<u>34,067</u>	<u>(5,402,556)</u>
Total Capital Assets Being Depreciated, Net	<u>17,177,247</u>	<u>(604,911)</u>	<u>0</u>	<u>16,572,336</u>
Governmental Activities Capital Assets, Net	<u>\$17,370,022</u>	<u>(\$604,911)</u>	<u>\$0</u>	<u>\$16,765,111</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$256,132
Special	54,964
Vocational	11,500
Support Services:	
Pupils	11,771
Instructional Staff	61,643
Board of Education	17,249
Administration	28,948
Fiscal	17,668
Operation and Maintenance of Plant	41,921
Pupil Transportation	140,675
Operation of Non-Instructional Services	39,609
Extracurricular Activities	166
Total Depreciation Expense	<u>\$682,246</u>

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School 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 2005, the School District contracted with the Ohio School Plan (OSP) for vehicle and general liability insurance and with the Ohio School Insurance Program for property insurance.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan, an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 16)

The School District's vehicles are covered by the Ohio School Plan under a business policy and holds a \$1,000 deductible for comprehensive and collision with a \$1,000,000 limit on any accident.

The types and amounts of general liability coverage provided by the Ohio School Plan are as follows:

General Liability:	
Aggregate Limit	\$3,000,000
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Medical Expense Limit - Per Person/Accident	10,000
Medical Expense Limit - Each Accident	10,000
Fire Damage Limit - Any One Event	500,000
Products - Completed Operations Limit	1,000,000
Employer's Liability:	
Bodily Injury - Each Accident	1,000,000
Bodily Injury - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit (\$10,000 deductible)	1,000,000
Errors and Omissions Aggregate Limit	2,000,000
Employment Practices Injury Limit (\$10,000 deductible)	1,000,000
Employment Practices Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 9 - RISK MANAGEMENT** (continued)

Insurance coverage provided for property by the Ohio School Insurance Program holds a \$1,000 deductible with a \$22,868,003 limit on all losses. The School District pays its annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**B. Workers Compensation**

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year the School District pays an enrollment fee to the GRP to cover costs of administering the program.

**C. Employee Medical, Vision and Dental Benefits**

Medical, vision and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of sixteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent, who in turn pays the claims on the School District's behalf. The claims liability of \$152,241 reported in the Internal Service Fund at June 30, 2005, is based on an estimate provided by the third party administrators and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issue,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2004	\$69,899	\$868,863	\$834,463	\$104,299
2005	104,299	956,110	908,168	152,241

**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability 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 School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$95,440, \$72,478, and \$76,698, respectively; 56.75 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 10 - 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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 20, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 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. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$340,578, \$290,812, and \$318,248, respectively; 83.49 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,484 made by the School District and \$10,565 made by the plan members.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 10 - PENSION PLANS** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, all of the School District's members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$26,198 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$43,699.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to two years accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 182 days for non-certified union members, 200 days for teachers, and 240 days for administrators. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 55 days for teachers. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum of 55 days for non-certified union members and administrative employees.

**B. Life and Accident Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Kanawha Healthcare Solutions.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 13 – CAPITALIZED LEASES – LESSEE DISCLOSURE**

In prior years, the School District entered into lease agreements for new copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13 “Accounting for Leases,”* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$24,901 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2005 totaled \$5,504.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Copiers	\$24,901
Less: Accumulated Depreciation	(20,752)
Totals	\$4,149

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

Fiscal Year Ending June 30,	Total Payments
2006	\$4,041
Less: Amount Representing Interest	(119)
Present Value of Net Minimum Lease Payments	\$3,922

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
School Improvement Bonds					
1985 9.125%	\$375,000	\$0	\$75,000	\$300,000	\$75,000
School Improvement Bonds					
1998 5.4064%	710,000	0	25,000	685,000	30,000
Total General Obligation Bonds	1,085,000	0	100,000	985,000	105,000
<u>Other Long-Term Obligations:</u>					
Compensated Absences	158,365	26,358	11,234	173,489	15,024
Capital Leases	9,426	0	5,504	3,922	3,922
Total Governmental Activities					
Long-Term Obligations	<u>\$1,252,791</u>	<u>\$26,358</u>	<u>\$116,738</u>	<u>\$1,162,411</u>	<u>\$123,946</u>

**School Improvement Bonds** - On July 1, 1985, the School District issued \$1,685,861 in voted general obligation bonds for the purpose of making improvements to the high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2008. The bonds will be retired from the Debt Service Fund.

**School Improvement Bonds** - In June 1998, the School District issued school improvement bonds in the amount of \$875,000 for the construction of a new elementary school and renovations to the high school building. The bonds were issued for a twenty-three year period with final maturity in 2021. The bonds will be paid from the Debt Service Fund.

Compensated absences will be paid from the General, Student Reading Intervention, Title VI-B, Title I, Title II-A and Food Service funds. Capital leases will be paid from the General Fund.

The School District's overall legal debt margin was \$5,422,194 with an unvoted debt margin of \$60,932 at June 30, 2005.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$105,000	\$60,471	\$165,471
2007	105,000	52,217	157,217
2008	105,000	43,934	148,934
2009	105,000	35,627	140,627
2010	35,000	30,455	65,455
2011-2015	205,000	118,925	323,925
2016-2020	265,000	53,865	318,865
2021	60,000	1,620	61,620
Total	\$985,000	\$397,114	\$1,382,114

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$68,106 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**B. Hopewell Special Education Regional Resource Center**

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the Clinton-Fayette-Highland Educational Service District, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Dr., Wilmington, Ohio 45177.

**NOTE 16 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 16 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS** (continued)

**C. Ross County Schools Employees Insurance Consortium**

The School District is a member of the Ross County School Employees Insurance Consortium (the “Consortium”), a claims servicing pool consisting of sixteen school districts within Ross County and its surrounding area. Medical/surgical claims are administered through a third party administrator, Medical Mutual. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the cost of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Scott Glandon who serves as Treasurer, 19463 Pherson Pike, Williamsport, Ohio 43164-9745.

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers’ Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$174,405)	\$0	\$22,449
Current Year Set-aside Requirement	121,172	121,172	0
Current Year Offsets	0	(26,679)	0
Qualifying Disbursements	(101,049)	(229,585)	0
Totals	<u>(154,282)</u>	<u>(135,092)</u>	<u>22,449</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$154,282)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for the textbooks and capital acquisition, only the amount for the textbooks may be used to reduce the set-aside requirement of future fiscal years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

**NOTE 18 – INTERFUND ACTIVITY**

**Interfund Receivables/Payables**

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable	
		General Fund	Classroom Facilities Construction Fund
Payable	General Fund	\$0	\$160,200
	All Other Governmental Funds	29,726	0

A portion of the amount due to the General Fund is a result of the School District moving unrestricted balances to support programs and projects accounted for in the other funds. This amount equals \$9,650. The remaining \$20,076 is the amount owed to the General Fund from the Classroom Facilities Capital Projects Fund related to the Ohio School Facilities Commission construction project. The amount owed to the Classroom Facilities Construction Fund is the amount due to the Classroom Facilities Capital Projects Fund for the local share of the construction project.

**NOTE 19 – ACCOUNTABILITY**

The Internal Service Fund had a deficit fund balance at June 30, 2005, of \$31,249. The deficit in this fund was created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

The School District is of the opinion that the ultimate disposition of legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 19,185	\$ -	\$ 19,185
National School Breakfast Program	05-PU-05	10.553	34,634	-	34,634	-
National School Lunch Program	LL-P4-05	10.555	101,990	-	101,990	-
	LL-P4-04					
Total Nutrition Cluster			136,624	19,185	136,624	19,185
<b>Total U.S. Department of Agriculture</b>			<b>136,624</b>	<b>19,185</b>	<b>136,624</b>	<b>19,185</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI B) Handicapped	6B-PB-05	84.027	199,592	-	179,439	-
	6B-SF-05					
	6B-SF-04					
Special Education Grants to States (Title VI B) Preschool	PG-S1-05	84.173	3,173	-	3,923	-
<b>Total Special Education Cluster</b>			<b>202,765</b>	<b>-</b>	<b>183,362</b>	<b>-</b>
Comprehensive School Reform Demonstration	RF-S3-04	84.332	105,929	-	120,952	-
	RF-S2-03					
Grants to Local Educational Agencies	C1-S1-05	84.010	310,121	-	341,840	-
Innovative Educational Program	C2-S1-05	84.298	3,348	-	3,348	-
Technology State Formula Grants	TJ-S1-05	84.318	8,017	-	10,562	-
Improving Teacher Quality State Grants	TR-S1-05	84.367	53,346	-	61,685	-
	TR-S1-04					
Rural Education Achievement Program	RU-S1-05	84.358	26,016	-	26,016	-
Drug-Free Schools Grant	DR-S1-05	84.186	5,453	-	8,236	-
	DR-S1-04					
<b>Total Department of Education</b>			<b>714,995</b>	<b>-</b>	<b>756,001</b>	<b>-</b>
<b>Totals</b>			<b>\$ 851,619</b>	<b>\$ 19,185</b>	<b>\$ 892,625</b>	<b>\$ 19,185</b>

The accompanying notes to this schedule are an integral part of this schedule.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Board's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State  
Betty Montgomery**

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

Bright Local School District  
Highland County  
44 N. High Street  
Mowrystown, Ohio 45155

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated July 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion 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*. In a separate letter to the District's management dated July 27, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the District's Board of Education, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 27, 2006



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Bright Local School District  
Highland County  
44 N. High Street  
Mowrystown, Ohio 45155

To the Board of Education:

#### **Compliance**

We have audited the compliance of Bright Local School District, Highland County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Bright Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### **Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated July 27, 2006.

We intend this report solely for the information and use of the District's Board of Education, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 27, 2006



**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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





**Auditor of State  
Betty Montgomery**

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**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND 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  
AUGUST 10, 2006**