



**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 North High Street  
P.O. Box 9  
Mowrystown, Ohio 45155

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Bright Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 February 19, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management & Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose 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

February 19, 2003

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**Bright Local School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

<b>GOVERNMENTAL FUND TYPES</b>				
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$658,250	\$234,479	\$634,988	\$310,606
Receivables:				
Taxes	1,069,929	23,571	337,270	0
Intergovernmental	0	14,683	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,449	0	0	0
Cash and Cash Equivalents with Escrow Agents	0	0	0	10,397
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for the Retirement of General Long-Term Obligations	0	0	0	0
 Total Assets and Other Debits	<b>\$1,750,628</b>	<b>\$272,733</b>	<b>\$972,258</b>	<b>\$321,003</b>



<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$52,424	\$493,977	\$18,856	\$0	\$0	\$2,403,580
0	0	0	0	0	1,430,770
11,722	0	0	0	0	26,405
2,808	0	0	0	0	2,808
683	0	0	0	0	683
0	0	0	0	0	22,449
0	0	0	0	0	10,397
312,429	0	0	18,691,989	0	19,004,418
0	0	0	0	662,008	662,008
0	0	0	0	1,014,766	1,014,766
<u>\$380,066</u>	<u>\$493,977</u>	<u>\$18,856</u>	<u>\$18,691,989</u>	<u>\$1,676,774</u>	<u>\$24,578,284</u>

(continued)

**Bright Local School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002  
 (continued)

	<b>GOVERNMENTAL FUND TYPES</b>			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities:</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$17,182	\$1,217	\$265	\$0
Contracts Payable	0	0	0	2,629
Accrued Wages and Benefits	425,064	31,942	0	0
Compensated Absences Payable	25,530	277	0	0
Retainage Payable	0	0	0	10,397
Intergovernmental Payable	84,926	5,991	0	43
Deferred Revenue	985,819	32,979	309,985	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,538,521	72,406	310,250	13,069
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	250,711	20,162	385	117,357
Reserved for Property Taxes	84,110	2,098	27,285	0
Reserved for Budget Stabilization	22,449	0	0	0
Unreserved:				
Undesignated (Deficit)	(145,163)	178,067	634,338	190,577
Total Fund Equity (Deficit) and Other Credits	212,107	200,327	662,008	307,934
Total Liabilities, Fund Equity and Other Credits	\$1,750,628	\$272,733	\$972,258	\$321,003

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$18,664
0	0	0	0	0	2,629
14,823	0	0	0	0	471,829
1,302	0	0	0	256,422	283,531
0	0	0	0	0	10,397
7,802	258,721	0	0	44,355	401,838
0	0	0	0	0	1,328,783
0	0	18,856	0	0	18,856
0	100,731	0	0	0	100,731
0	0	0	0	30,997	30,997
0	0	0	0	1,345,000	1,345,000
<u>23,927</u>	<u>359,452</u>	<u>18,856</u>	<u>0</u>	<u>1,676,774</u>	<u>4,013,255</u>
0	0	0	18,691,989	0	18,691,989
356,139	134,525	0	0	0	490,664
0	0	0	0	0	388,615
0	0	0	0	0	113,493
0	0	0	0	0	22,449
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>857,819</u>
<u>356,139</u>	<u>134,525</u>	<u>0</u>	<u>18,691,989</u>	<u>0</u>	<u>20,565,029</u>
<u>\$380,066</u>	<u>\$493,977</u>	<u>\$18,856</u>	<u>\$18,691,989</u>	<u>\$1,676,774</u>	<u>\$24,578,284</u>

**Bright Local School District**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2002

	<b>GOVERNMENTAL FUND TYPES</b>				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$1,045,979	\$25,117	\$326,329	\$0	\$1,397,425
Intergovernmental	4,336,080	412,001	37,445	41,220	4,826,746
Interest	46,575	0	0	9,091	55,666
Tuition and Fees	19,625	0	0	0	19,625
Rent	400	0	0	0	400
Extracurricular Activities	0	67,677	0	0	67,677
Gifts and Donations	10,000	4,878	0	0	14,878
Customer Services	0	0	0	0	0
Miscellaneous	3,783	4,424	0	0	8,207
<b>Total Revenues</b>	<b>5,462,442</b>	<b>514,097</b>	<b>363,774</b>	<b>50,311</b>	<b>6,390,624</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	2,326,454	100,804	0	24,352	2,451,610
Special	336,487	194,546	0	0	531,033
Vocational	139,262	0	0	0	139,262
Support Services:					
Pupils	248,443	60,486	0	0	308,929
Instructional Staff	312,590	90,231	0	22,048	424,869
Board of Education	25,165	0	0	0	25,165
Administration	490,903	2,602	0	0	493,505
Fiscal	230,588	1,145	9,379	0	241,112
Operation and Maintenance of Plant	452,706	19,231	0	0	471,937
Pupil Transportation	494,369	811	0	0	495,180
Non-Instructional Services	3,410	3,378	0	0	6,788
Extracurricular Activities	65,682	57,383	0	0	123,065
Capital Outlay	83,870	0	0	452,708	536,578
Debt Service:					
Principal Retirement	71,739	0	100,000	0	171,739
Interest and Fiscal Charges	10,665	0	92,431	0	103,096
<b>Total Expenditures</b>	<b>5,292,333</b>	<b>530,617</b>	<b>201,810</b>	<b>499,108</b>	<b>6,523,868</b>
Excess of Revenues Over (Under) Expenditures	170,109	(16,520)	161,964	(448,797)	(133,244)
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds From Sale of Fixed Assets	26,542	0	0	0	26,542
Inception of Capital Lease	9,522	0	0	0	9,522
Operating Transfers Out	(312,600)	0	0	0	(312,600)
<b>Total Other Financing Sources (Uses)</b>	<b>(276,536)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(276,536)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(106,427)	(16,520)	161,964	(448,797)	(409,780)
Fund Balances at Beginning of Year	318,534	216,847	500,044	756,731	1,792,156
Fund Balances at End of Year	\$212,107	\$200,327	\$662,008	\$307,934	\$1,382,376

See accompanying notes to the general purpose financial statements

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**Bright Local School District**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2002

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,056,945	\$1,000,825	(\$56,120)	\$25,422	\$23,993	(\$1,429)
Intergovernmental	4,224,446	4,331,508	107,062	430,937	433,884	2,947
Interest	64,000	46,575	(17,425)	0	0	0
Tuition and Fees	20,500	19,625	(875)	0	0	0
Rent	500	400	(100)	0	0	0
Extracurricular Activities	0	0	0	78,137	67,677	(10,460)
Gifts and Donations	0	10,000	10,000	0	4,878	4,878
Miscellaneous	5,000	1,480	(3,520)	2,100	4,316	2,216
<b>Total Revenues</b>	<b>5,371,391</b>	<b>5,410,413</b>	<b>39,022</b>	<b>536,596</b>	<b>534,748</b>	<b>(1,848)</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	2,292,156	2,362,750	(70,594)	143,465	112,613	30,852
Special	353,140	332,677	20,463	245,518	201,033	44,485
Vocational	145,556	148,014	(2,458)	0	0	0
Other	226,132	0	226,132	0	0	0
Support Services:						
Pupils	221,795	242,912	(21,117)	62,742	61,136	1,606
Instructional Staff	332,131	312,665	19,466	118,686	92,943	25,743
Board of Education	95,212	32,818	62,394	0	0	0
Administration	608,589	519,326	89,263	3,450	3,442	8
Fiscal	236,491	232,632	3,859	1,810	1,286	524
Operation and Maintenance of Plant	721,730	648,397	73,333	25,746	19,281	6,465
Pupil Transportation	621,384	531,814	89,570	1,155	683	472
Non-Instructional Services	4,500	3,608	892	6,305	3,378	2,927
Extracurricular Activities	67,556	64,929	2,627	76,352	65,023	11,329
Capital Outlay	86,051	99,563	(13,512)	0	0	0
Debt Service:						
Principal Retirement	60,000	60,000	0	0	0	0
Interest and Fiscal Charges	6,810	6,810	0	0	0	0
<b>Total Expenditures</b>	<b>6,079,233</b>	<b>5,598,915</b>	<b>480,318</b>	<b>685,229</b>	<b>560,818</b>	<b>124,411</b>
Excess of Revenues Over (Under) Expenditures	(707,842)	(188,502)	519,340	(148,633)	(26,070)	122,563
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	25,000	26,542	1,542	0	0	0
Refund of Prior Year Expenditures	2,100	6,875	4,775	0	108	108
Advances In	25,000	56,972	31,972	31,972	56,972	25,000
Advances Out	0	(56,972)	(56,972)	(31,972)	(56,972)	(25,000)
Operating Transfers Out	(12,600)	(312,600)	(300,000)	(2,072)	0	2,072
<b>Total Other Financing Sources (Uses)</b>	<b>39,500</b>	<b>(279,183)</b>	<b>(318,683)</b>	<b>(2,072)</b>	<b>108</b>	<b>2,180</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(668,342)	(467,685)	200,657	(150,705)	(25,962)	124,743
Fund Balances at Beginning of Year	592,325	592,325	0	234,695	234,695	0
Prior Year Encumbrances Appropriated	291,154	291,154	0	4,369	4,369	0
<b>Fund Balances at End of Year</b>	<b>\$215,137</b>	<b>\$415,794</b>	<b>\$200,657</b>	<b>\$88,359</b>	<b>\$213,102</b>	<b>\$124,743</b>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$294,786	\$311,685	\$16,899	\$0	\$0	\$0
36,439	37,445	1,006	41,220	41,220	0
0	0	0	8,000	9,091	1,091
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
331,225	349,130	17,905	49,220	50,311	1,091
0	0	0	32,797	31,311	1,486
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	26,746	22,126	4,620
0	0	0	0	0	0
12,500	9,764	2,736	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	825,996	666,280	159,716
100,000	100,000	0	0	0	0
92,431	92,431	0	0	0	0
204,931	202,195	2,736	885,539	719,717	165,822
126,294	146,935	20,641	(836,319)	(669,406)	166,913
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
126,294	146,935	20,641	(836,319)	(669,406)	166,913
487,403	487,403	0	404,349	404,349	0
0	0	0	455,677	455,677	0
\$613,697	\$634,338	\$20,641	\$23,707	\$190,620	\$166,913

**Bright Local School District**  
Statement of Revenues,  
Expenses and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Sales	\$125,952	\$0	\$125,952
Charges for Services	0	627,473	627,473
Other	5,162	0	5,162
<i>Total Operating Revenues</i>	<u>131,114</u>	<u>627,473</u>	<u>758,587</u>
<b><u>Operating Expenses:</u></b>			
Salaries	90,964	0	90,964
Fringe Benefits	47,469	0	47,469
Purchased Services	2,373	65,564	67,937
Materials and Supplies	6,213	0	6,213
Cost of Sales	115,663	0	115,663
Depreciation	17,850	0	17,850
Claims	0	775,575	775,575
Other	509	0	509
<i>Total Operating Expenses</i>	<u>281,041</u>	<u>841,139</u>	<u>1,122,180</u>
Operating Loss	<u>(149,927)</u>	<u>(213,666)</u>	<u>(363,593)</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Interest	1,462	0	1,462
Federal Donated Commodities	21,619	0	21,619
Federal and State Subsidies	104,311	0	104,311
Loss on Sale of Fixed Assets	(304)	0	(304)
Other	1,354	0	1,354
<i>Total Non-Operating Revenues (Expenses)</i>	<u>128,442</u>	<u>0</u>	<u>128,442</u>
Loss Before Operating Transfers	(21,485)	(213,666)	(235,151)
Operating Transfers In	<u>0</u>	<u>312,600</u>	<u>312,600</u>
Net Loss	(21,485)	98,934	77,449
Retained Earnings at Beginning of Year - Restated (See Note 14)	<u>377,624</u>	<u>35,591</u>	<u>413,215</u>
Retained Earnings (Deficit) at End of Year	<u>\$356,139</u>	<u>\$134,525</u>	<u>\$490,664</u>

See accompanying notes to the general purpose financial statements



**Bright Local School District**  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002

	Enterprise Fund			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$138,000	\$125,952	(\$12,048)	\$0	\$0	\$0
Charges for Services	0	0	0	945,332	627,473	(317,859)
Interest	1,000	1,462	462	0	0	0
Federal and State Subsidies	116,000	120,199	4,199	0	0	0
Other	0	5,662	5,662	0	0	0
<i>Total Revenues</i>	<u>255,000</u>	<u>253,275</u>	<u>(1,725)</u>	<u>945,332</u>	<u>627,473</u>	<u>(317,859)</u>
<b><u>Expenses:</u></b>						
Salaries	97,150	97,862	(712)	0	0	0
Fringe Benefits	48,004	50,148	(2,144)	616,000	619,779	(3,779)
Purchased Services	4,748	2,533	2,215	528,540	523,508	5,032
Materials and Supplies	103,088	102,067	1,021	0	0	0
Other	520	509	11	0	0	0
<i>Total Expenses</i>	<u>253,510</u>	<u>253,119</u>	<u>391</u>	<u>1,144,540</u>	<u>1,143,287</u>	<u>1,253</u>
Excess of Revenues Over (Under) Expenses	1,490	156	(1,334)	(199,208)	(515,814)	(316,606)
Operating Transfers-In	0	0	0	12,600	312,600	300,000
Excess of Revenues Over (Under) Expenses and Transfers	1,490	156	(1,334)	(186,608)	(203,214)	(16,606)
Fund Equity at Beginning of Year	48,113	48,113	0	292,685	292,685	0
Prior Year Encumbrances Appropriated	3,963	3,963	0	48,538	48,538	0
Fund Equity at End of Year	<u>\$53,566</u>	<u>\$52,232</u>	<u>(\$1,334)</u>	<u>\$154,615</u>	<u>\$138,009</u>	<u>(\$16,606)</u>

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$125,952	\$627,473	\$753,425
Cash Received from Others	5,162	0	5,162
Cash Received from Other Nonoperating Revenues	500	0	500
Cash Payments on Employee Benefits	(50,148)	0	(50,148)
Cash Payments to Employees for Services	(97,862)	0	(97,862)
Cash Payments to Suppliers for Goods and Services	(104,408)	(65,564)	(169,972)
Cash Payments for Claims	0	(770,572)	(770,572)
Cash Payments to Others	(509)	0	(509)
Net Cash Used for Operating Activities	<u>(121,313)</u>	<u>(208,663)</u>	<u>(329,976)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	120,199	0	120,199
Operating Transfers In	0	312,600	312,600
Repayment of Short-Term Borrowing from Other Governments	0	(209,904)	(209,904)
Short-Term Borrowing from Other Governments	0	258,721	258,721
Net Cash Provided by Noncapital Financing Activities	<u>120,199</u>	<u>361,417</u>	<u>481,616</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	1,462	0	1,462
Net Increase in Cash and Cash Equivalents	348	152,754	153,102
Cash and Cash Equivalents at Beginning of Year	<u>52,076</u>	<u>341,223</u>	<u>393,299</u>
Cash and Cash Equivalents at End of Year	<u><u>\$52,424</u></u>	<u><u>\$493,977</u></u>	<u><u>\$546,401</u></u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Operating Loss	(\$149,927)	(\$396,686)	(\$546,613)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Depreciation	17,850	0	17,850
Other Nonoperating Revenues	500	0	500
Donated Commodities Used During Year	21,131	0	21,131
Changes in Assets and Liabilities:			
Increase in Inventory Held for Resale	(870)	0	(870)
Increase in Materials and Supplies Inventory	(420)	0	(420)
Decrease in Accrued Wages and Benefits	(4,047)	0	(4,047)
Decrease in Compensated Absences Payable	(4,471)	0	(4,471)
Decrease in Intergovernmental Payable	(1,059)	0	(1,059)
Increase in Claims Payable	0	188,023	0
Total Adjustments	<u>28,614</u>	<u>188,023</u>	<u>28,614</u>
Net Cash Used for Operating Activities	<u><u>(\$121,313)</u></u>	<u><u>(\$208,663)</u></u>	<u><u>(\$517,999)</u></u>

**Non-Cash Transactions:**

During fiscal year 2002, the Food Service Enterprise Fund received \$21,619 in donated commodities.

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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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 48 non-certified and 61 teaching personnel and administrative employees providing education to 864 students.

*Reporting Entity:*

A 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.

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Village of Mowrystown, Clinton-Fayette-Highland Educational Service District, Booster Clubs and Parent Teacher Organizations.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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 (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ross County Schools Employees Insurance Consortium, and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**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 standards 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 proprietary activities 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 - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

The following are the School District's governmental fund types:

*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.

*Special Revenue Funds* – The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*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.

*Capital Projects Funds* – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Fund* - The enterprise fund is used to account for School District activities that are financed and operate in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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 5). 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 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 as an advance and grants.

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations, by fund, cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given authority to further allocate appropriations to functions and objects within each fund.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Highland County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year at the fund level for all funds other than agency funds, consistent with statutory provisions.



**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The School District also utilizes an escrow agent to hold retainage on construction contracts. The balance in this account is presented on the financial statements as "Restricted Assets: Cash and Cash Equivalents with Escrow Agents."

During fiscal year 2002, 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 2002 amounted to \$46,575, which includes \$28,888 from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated and purchased food held for resale, and supplies and are expensed when used.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

General fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 75 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	10 years

Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of 5 to 20 years.

**G. 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. Sick leave benefits are accrued as a liability using the vesting payment method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by the proprietary funds are reported as liabilities in the proprietary funds.

**I. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**J. 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, and budget stabilization.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for budget stabilization. See Note 17 for additional information regarding set-asides. The School District also utilized an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “Restricted Assets: Cash and Cash Equivalents with Escrow Agents.”

**L. 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.

**M. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned “Totals - (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) – All Proprietary Fund Types are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$106,427)	(\$16,520)	\$161,964	(\$448,797)
Adjustments:				
Revenue Accruals	(45,154)	20,759	(14,644)	0
Expenditure Accruals	(41,677)	(8,824)	265	(100,623)
Capital Lease Inception	(9,522)	0	0	0
Encumbrances	(264,905)	(21,377)	(650)	(119,986)
Budget Basis	(\$467,685)	(\$25,962)	\$146,935	(\$669,406)

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Loss/Excess of Revenues  
Over (Under) Expenses and Transfers  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$21,485)	\$98,934
Adjustments:		
Revenue Accruals	15,034	0
Expense Accruals	28,114	53,820
Loss on Sale of Fixed Assets	304	0
Federal Donated Commodities	(21,619)	0
Encumbrances	(192)	(355,968)
Budget Basis	\$156	(\$203,214)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including repurchase agreements) and Reverse Repurchase Agreements."*

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was (\$79,426) and the bank balance was \$64,776. The entire bank balance was covered by federal depository insurance.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	<u>Category 3</u>	<u>Carrying Value</u>
Repurchase Agreements	<u>\$2,515,852</u>	<u>\$2,515,852</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."*



**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,436,426	\$0
Investment:		
Repurchase Agreements	(2,515,852)	2,515,852
GASB Statement No. 3	(\$79,426)	\$2,515,852

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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 located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true 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.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 5 - PROPERTY TAXES** (continued)

Tangible personal property taxes paid 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.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,848,900	88.36%	\$46,708,710	91.56%
Public Utility	5,454,820	10.51%	3,455,930	6.77%
Tangible Personal Property	585,280	1.13%	850,650	1.67%
Total Assessed Value	<u>\$51,889,000</u>	<u>100.00%</u>	<u>\$51,015,290</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$38.49		 \$38.49	

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 Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amounts available as an advance at June 30, 2002, were \$84,110, \$2,098 and \$27,285 in the General Fund, the Classroom Facility Maintenance Special Revenue Fund, and the Debt Service Fund, respectively.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 6 – RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Special Revenue Funds:</i>	
Title II	\$650
Title VI-B	1,440
Performance Incentive Grant	9,416
Title IV	2,716
Title VI-R	461
Total Special Revenue Funds	14,683
<i>Enterprise Fund:</i>	
Food Service	11,722
Total All Funds	\$26,405

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$354,070
Less: Accumulated Depreciation	(41,641)
Net Fixed Assets	\$312,429

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Restated Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Land and Improvements	\$880,707	\$128,169	\$69,277	\$939,599
Buildings and Improvements	19,047,803	362,415	737,772	18,672,446
Furniture, Fixtures and Equipment	2,231,764	165,944	226,323	2,171,385
Vehicles	818,162	0	62,400	755,762
Totals	\$22,978,436	\$656,528	\$1,095,772	22,539,192
Accumulated Depreciation				(3,847,203)
Total General Fixed Assets				\$18,691,989

**NOTE 8 - RISK MANAGEMENT**

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 2002, the School District contracted with Ohio School Plan for general liability insurance. Property is protected by the Indiana Insurance Company and holds a \$250 deductible.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 8 - RISK MANAGEMENT** (continued)

The School District's vehicles are covered by the Nationwide Agribusiness Insurance Company under a business policy with a \$1,000,000 limit on any accident. Vehicles are also covered under the commercial umbrella policy.

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity 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 District pays this annual premium to the OSP. (See Note 16). The types and amounts of 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

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.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 8 - RISK MANAGEMENT** (continued)

For fiscal year 2002, 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.

Medical, vision and dental insurance is offered to employees through a self-insurance internal service fund. Mutual Health Services administers claims for the vision plan and Professional Risk Management administers the claims for the dental and medical plans. The claims liability of \$100,731 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrators and the requirements of *GASB Statement No. 30 "Risk Financing Omnibus,"* 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:

2001	\$156,046	\$620,538	\$680,856	\$95,728
2002	95,728	775,575	\$770,572	100,731

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (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 State statute per 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, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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, 2002, 2001, and 2000 were \$53,670, \$40,544, and \$36,129, respectively; 54.16 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$24,603, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$237,755, \$252,786, and \$139,575, respectively; 83.12 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$40,136 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 9 - DEFINED BENEFIT 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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, 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 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$112,621 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 10 - 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$92,175.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from Board approved benefits 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 50 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 General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 12 – CAPITALIZED LEASES – LESSEE DISCLOSURE**

In fiscal year 2002 and in prior years, the School District entered into leases for new copiers and other reproduction equipment. 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 General Purpose Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount of \$53,758 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 general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$11,739.

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, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$15,506
2004	9,619
2005	6,059
2006	4,041
Total	35,225
Less: Amount Representing Interest	(4,228)
Present Value of Net Minimum Lease Payments	\$30,997

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
<u>General Obligation Bonds:</u>				
School Improvement Bonds				
1985 9.125%	\$600,000	\$0	\$75,000	\$525,000
School Improvement Bonds				
1998 5.4064%	785,000	0	25,000	760,000
School Bus Bonds				
2000 5.6506%	120,000	0	60,000	60,000
Total General Obligation Bonds	1,505,000	0	160,000	1,345,000
<u>Other Long-Term Obligations:</u>				
Compensated Absences	266,967	0	10,545	256,422
Pension Obligation	46,062	44,355	46,062	44,355
Capital Leases	33,214	9,522	11,739	30,997
Total General Long-Term Obligations	<u>\$1,851,243</u>	<u>\$53,877</u>	<u>\$228,346</u>	<u>\$1,676,774</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.

*School Bus Bonds* - On June 1, 2001, the School District issued \$178,000 in unvoted general obligation bonds for the purpose of acquiring buses for the use in the transportation of students to and from school and other functions authorized by the Board of Education. The bonds were issued for a three year period with final maturity in 2003. These bonds will be paid from the general fund.

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid. Capital leases will be paid from the general fund.

The School District's overall legal debt margin was \$3,246,376 with an unvoted debt margin of \$51,015 at June 30, 2002.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general obligation debt, including loans outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$160,000	\$87,919	\$247,919
2004	100,000	76,549	176,549
2005	100,000	68,581	168,581
2006	105,000	60,471	165,471
2007	105,000	52,217	157,217
2008-2012	320,000	164,690	484,690
2013-2017	225,000	94,355	319,355
2018-2021	230,000	25,380	255,380
Total	<u>\$1,345,000</u>	<u>\$630,162</u>	<u>\$1,975,162</u>

**NOTE 14 – CORRECTION OF ERRORS/RESTATEMENT OF RETAINED EARNINGS AND ACCOUNT GROUP BALANCES**

Fixed assets were restated in the food service enterprise fund and the general fixed assets account group. In the prior year the School District classified food services equipment in the general fixed asset account group that should have been classified in the food service enterprise fund. In addition errors were discovered concerning cash balance in the internal service fund. The changes had the following effect on fund equity/account group balances as they were previously reported as of June 30, 2001:

Fund Type/Account Group	Enterprise Fund Retained Earnings	Internal Service Fund Retained Earnings	General Fixed Asset Account Group Total Assets
Balance June 30, 2001	\$49,324	\$31,375	\$23,330,186
Restatement of Fixed Assets	328,300	0	(351,750)
Restatement of Cash	0	4,216	0
Restated Balance June 30, 2001	<u>\$377,624</u>	<u>\$35,591</u>	<u>\$22,978,436</u>

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*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 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 \$7,240 for services provided during the 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.

*Hopewell Special Education Regional Resource Center (Hopewell)* - 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 county board of education, 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**

*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 year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*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 and dental is administered through a third party administrator, Professional Risk Management Company. Vision is also administered through a third party administrator, Mutual Health Services. The Consortium's business and affairs are managed by a Council consisting of one representative for

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

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.

*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 Hartford 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. Hartford Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

The following cash basis information describes the change in the 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, 2001	(\$212,206)	\$0	\$22,449
Current Year Set-aside Requirement	109,468	109,468	0
Current Year Offsets	0	(26,875)	0
Qualifying Disbursements	(119,112)	(173,528)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$221,850)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the capital acquisition, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 18 – CONSTRUCTION COMMITMENTS**

The School District has entered into contracts for the design and construction of a new building and renovations to an existing building in the School District. Outstanding construction commitments at June 30, 2002, were as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/02</u>
Ruscilli Construction Company, Inc.	\$90,706	\$0	\$90,706
Jerry Allen Company	1,100	0	1,100
Nor-Com, Inc.	18,269	0	18,269
Ampam Commercial Midwest	8,729	5,400	3,329
Stapleton Electric Company	6,505	0	6,505
Total	<u>\$125,309</u>	<u>\$5,400</u>	<u>\$119,909</u>

**NOTE 19 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions the Ohio’s current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**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, 2002.

**B. Litigation**

There are currently no matters in litigation with the School District as a defendant.

***Bright Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 21 - SUBSEQUENT EVENT**

On July 1, 2002, the Ross County School Employees Insurance Consortium changed their third party administrator from Professional Risk Management Company to Klais & Company, Incorporated.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$21,619	\$0	\$21,131
National School Breakfast Program		10.553	25,061	0	25,062	0
National School Lunch Program		10.555	84,321	0	84,321	0
Total U.S. Department of Agriculture-Nutrition Cluster			109,382	21,619	109,383	21,131
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Preschool Grant	PG-S1-2002	84.173	1,958	0	1,958	0
Special Education Grants to States (Title VI B)	6B-SF-2001	84.027	0	0	5,552	0
	6B-SF-2002	84.027	63,441	0	57,385	0
Total Title VI B			63,441	0	62,937	0
Total Special Education Cluster			65,399	0	64,895	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001	84.010	0	0	55,039	0
	C1-S1-2002	84.010	224,584	0	173,292	0
Total ESEA Title 1			224,584	0	228,331	0
Drug Free Schools	DR-S1-2000	84.186	0	0	4,004	0
	DR-S1-2001	84.186	2,594	0	3,689	0
	DR-S1-2002	84.186	766	0	716	0
Total Drug Free Schools			3,360	0	8,409	0
Innovative Educational Program Strategies	C2-S1-2001	84.298	1,797	0	2,233	0
	C2-S1-2002	84.298	4,588	0	4,588	0
Total Innovative Education Program Strategies			6,385	0	6,821	0
Eisenhower Prof Development State Grant	MS-S1-2000	84.281	0	0	1,217	0
	MS-S1-2001	84.281	494	0	4,785	0
	MS-S1-2002	84.281	5,854	0	472	0
Total Eisenhower Prof Development State Grant			6,348	0	6,474	0
Goals 2000/Continued Improvement	G2-S2-2000	84.276	0	0	12,628	0
	G2-S2-2001	84.276	0	0	1,120	0
	G2-S1-2001	84.276	21,972	0	24,397	0
Total Goals 2000			21,972	0	38,145	0
Class Size Reduction	CR-S1-2001	84.340	38,034	0	34,233	0
School Renovation	AT-S1-2002	84.352	6,308	0	5,759	0
Total Department of Education			372,390	0	393,067	0
<b>TOTALS</b>			<b>\$481,772</b>	<b>\$21,619</b>	<b>\$502,450</b>	<b>\$21,131</b>

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had an insignificant amount of food commodities in their inventory.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Bright Local School District  
Highland County  
44 North High Street  
P.O. Box 9  
Mowrystown, Ohio 45155

To the Board of Education:

We have audited the financial statements of Bright Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated February 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 19, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management to the District in a separate letter dated February 19, 2003.

This report is intended for the information and use of the management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

February 19, 2003



## Auditor of State Betty Montgomery

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

Bright Local School District  
Highland County  
44 North High Street  
P.O. Box 9  
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 are applicable to each of its major federal programs for the fiscal year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002.

#### Internal Control Over Compliance

The management of the District 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 have a direct and material effect on a major federal program in order 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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

February 19, 2003

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

**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 non-compliance 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):	Nutrition Cluster – CFDA # 10.550, 10.555 and Special Education Cluster CFDA # 84.027, 84.173.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all other programs
<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 FOR FEDERAL AWARDS**

None

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**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2001-10463-001	ORC Section 5705.41(B), Expenditures exceeded appropriations in the Classroom Facilities Fund.	Partially corrected.	This issue is addressed in compliance issue number 1 in the 2002 management letter.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 1, 2003**