



Mary Taylor, CPA
Auditor of State

**BRIGHT LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

June 18, 2008

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

As management of the Bright Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. The intent of this discussion is to look at the School District's performance as a whole, and we encourage readers to consider the information presented here to enhance their understanding of the School District's overall financial performance.

Financial Highlights

- The assets of the Bright Local School District exceeded its liabilities at June 30, 2007 by \$17,953,459.
- The School District's net assets decreased by \$464,631 during this fiscal year's operations.
- General revenues accounted for \$6,270,709 or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,693,315 or 21 percent of all revenues of \$7,964,024.
- The School District had \$8,428,655 in expenses related to governmental activities; only \$1,693,315 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column.

Reporting the School District as a Whole

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

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District's Most Significant Funds

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

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

The School District as a Whole

As stated previously, the Statement of Net Assets looks at the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years ended 2007 and 2006.

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 1			
Net Assets			
Governmental Activities			
	2007	2006	Change
Assets			
Current and Other Assets	\$5,534,710	\$5,779,714	(\$245,004)
Capital Assets	15,832,759	16,333,875	(501,116)
Total Assets	21,367,469	22,113,589	(746,120)
Liabilities			
Long-Term Liabilities	961,823	1,063,137	(101,314)
Other Liabilities	2,452,187	2,632,362	(180,175)
Total Liabilities	3,414,010	3,695,499	(281,489)
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,057,759	15,453,875	(396,116)
Restricted	1,392,349	1,263,881	128,468
Unrestricted	1,503,351	1,700,334	(196,983)
Total Net Assets	\$17,953,459	\$18,418,090	(\$464,631)

Total assets decreased by \$746,120. Depreciable capital assets decreased by \$501,116, due to the recognition of \$630,937 in depreciation, offset by additions of \$129,821. Total net assets decreased by \$464,631, primarily due to a decrease in invested in capital assets (net of related debt issued to acquire the assets). Restricted net assets increased by \$128,468 due mainly to a reduction in expenses related to capital projects. Unrestricted net assets decreased by \$196,983 due to declining enrollment.

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

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

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2
Change in Net Assets
Governmental Activities

	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$511,486	\$495,846	\$15,640
Operating Grants, Contributions and Interest	1,181,829	1,122,785	59,044
Capital Grants and Contributions	0	10,624	(10,624)
Total Program Revenues	1,693,315	1,629,255	64,060
General Revenues:			
Property Taxes	1,533,874	1,384,837	149,037
Grants and Entitlements not Restricted to Specific Programs	4,507,451	4,463,741	43,710
Investment Earnings	187,009	137,396	49,613
Miscellaneous	42,375	43,384	(1,009)
Total General Revenues	6,270,709	6,029,358	241,351
Total Revenues	7,964,024	7,658,613	305,411
Program Expenses			
Instruction:			
Regular	3,577,156	3,256,800	320,356
Special	830,995	807,390	23,605
Vocational	237,436	221,608	15,828
Student Intervention Services	50,189	36,291	13,898
Support Services:			
Pupils	424,520	358,838	65,682
Instructional Staff	526,978	518,724	8,254
Board of Education	40,581	57,307	(57,307)
Administration	525,674	498,598	27,076
Fiscal	303,530	292,706	10,824
Business	5,831	955	4,876
Operation and Maintenance of Plant	636,268	619,429	16,839
Pupil Transportation	765,258	728,098	37,160
Operation of Non-Instructional Services:			
Food Service Operations	328,819	314,208	14,611
Other	613	2,573	(1,960)
Extracurricular Activities	123,280	116,665	6,615
Interest and Fiscal Charges	51,527	59,870	(8,343)
Total Expenses	8,428,655	7,890,060	498,014
Increase (Decrease) in Net Assets	(464,631)	(231,447)	(233,184)
Net Assets at Beginning of Year	18,418,090	18,649,537	(231,447)
Net Assets at End of Year	\$17,953,459	\$18,418,090	(\$464,631)

Bright Local School District
Management's Discussion and Analysis
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Overall, revenues increased by \$305,411. Property taxes increased \$149,037 due to a revaluation in tax year 2006. Regular instruction increased by \$320,356 primarily due to salary increases.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
Instruction	\$4,695,776	\$4,276,201	(\$3,613,030)	(\$3,218,802)
Support Services	3,228,640	3,035,468	(2,931,703)	(2,781,983)
Operation of Non- Instructional Services	329,432	313,689	(48,273)	(27,136)
Extracurricular Activities	123,280	116,665	(90,807)	(84,847)
Interest and Fiscal Charges	51,527	59,870	(51,527)	(59,870)
Total Expenses	<u>\$8,428,655</u>	<u>\$7,801,893</u>	<u>(\$6,735,340)</u>	<u>(\$6,172,638)</u>

The School District's Funds

Information about the School District's major governmental funds begins on page 13. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,950,662 and expenditures of \$8,142,662. The net change in fund balance was most significant in the General Fund, a decrease of \$293,123. This was caused primarily by an overall increase in expenditures.

The Debt Service Fund saw a decrease in fund balance this fiscal year of \$78,336.

The net change in fund balance in the Classroom Facilities Construction Fund of \$7,783 was very small, as the School District is only collecting interest in this fund, and had no allowable expenditures for maintenance in this fund during the fiscal year.

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

General Fund – Budget Highlights

The School District's budget is prepared according to the requirements of Ohio law, and is based on cash receipts, disbursements and encumbrances. During the course of fiscal year 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

The School District's ending unobligated cash balance was \$340,347 above the final budgeted amount for the General Fund.

For the General Fund, original budgeted revenues were \$6,307,065 and final budgeted revenues were \$6,244,209. This represents a decrease in estimated revenue of \$62,856, which was primarily due to decreases in property tax revenue. The difference between actual budget basis revenues and final budgeted revenues was \$300,883, which was due to increases in interest and tuition and fees revenues due to conservative interest rate estimates and an increase in tuition and fees.

Original budgeted expenditures in the General Fund were \$6,802,101 and final budgeted expenditures were \$6,978,177. This represents an increase in estimated expenditures of \$176,076, due to overall increases in expenditures during the fiscal year. The difference between actual budget basis expenditures and final budgeted expenditures was \$124,256, which was primarily due to the School District's efforts to monitor and cut costs in all possible areas.

Capital Assets and Debt Administration

Capital Assets

The Bright Local School District's investment in capital assets as of June 30, 2007 was \$15,832,759. The investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

	2007	2006
Land	\$192,775	\$192,775
Land Improvements	390,152	438,708
Buildings and Improvements	14,324,444	14,737,331
Furniture and Equipment	489,128	577,298
Vehicles	436,260	387,763
Totals	<u>\$15,832,759</u>	<u>\$16,333,875</u>

Net capital assets decreased by \$501,116 from the prior fiscal year. This is due to depreciation expense of \$630,937, offset by additions of capital assets of \$129,821.

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

Debt

At June 30, 2007, the School District had \$775,000 in bonds outstanding, \$105,000 due within one year. Table 5 summarizes the bonds outstanding at fiscal year-end.

Table 5
Outstanding Debt, at Fiscal Year-end
Governmental Activities

	2007	2006
General Obligation Bonds:		
1985 School Improvement Bonds	\$150,000	\$225,000
1998 School Improvement Bonds	625,000	655,000
Totals	<u>\$775,000</u>	<u>\$880,000</u>

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

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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

The School District's overall legal debt margin was \$6,053,830 with an unvoted debt margin of \$67,550 at June 30, 2007.

For more information on debt, refer to note 13 to the basic financial statements.

Financial Issues/Concerns

A major concern for the Bright Local School District is the rising cost of health care and excessive claims we have been experiencing. The School District is in a consortium of school districts to provide health care coverage at a group rate. The Consortium is continually looking at possibilities for cost savings in plan design to offset the rising cost of premiums. The School District has implemented these new plan designs to aide in reducing costs. Health insurance costs pose a serious threat to the fiscal well-being of the Bright Local School District.

The School District has been experiencing a decline in enrollment that has a negative impact upon our State funding. Other educational options such as home schooling and virtual classrooms have contributed to the decline in enrollment. More than seventy percent of the School District's funding comes from the State; therefore any changed in State funding have a major impact upon our revenue. The State has also increased accountability and restructured statewide testing, which has forced the School District to realign programs and courses of study at its own expense.

Other concerns for the Bright Local School District include the increasing costs of utilities and fuel for bussing. The School District continually monitors, and requests quotes, for utility and maintenance services. We were successful in securing a fixed price on propane for fiscal year 2007, by working with surrounding schools when seeking quotes. However, instability of the energy market could significantly impact our utility and fuel expenses.

The School District began offering all day, every day kindergarten beginning in fiscal year 2004. We were able to fund this program through Title grant monies. We were also awarded a handicapped preschool unit beginning in fiscal year 2005. With the addition of these programs, we hope to improve our academic status, which will in turn positively impact our financial status. School District personnel continue to seek grant funding; however, grants have become more limited and therefore more competitive.

The School District did receive a Report Card rating of 'Effective' from the State for fiscal year 2007. Our hopes are that this rating will attract additional students and thereby increase our State funding.

Bright Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Blinda Boothby, Treasurer, at Bright Local School District, P.O. Box 9, Mowrystown, Ohio 45155.

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Bright Local School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,937,601
Inventory Held for Resale	2,626
Materials and Supplies Inventory	253
Intergovernmental Receivable	73,758
Property Taxes Receivable	1,452,915
Cash and Cash Equivalents With Fiscal Agent	67,557
Capital Assets:	
Land	192,775
Depreciable Capital Assets, Net	15,639,984
<i>Total Assets</i>	21,367,469
Liabilities	
Accounts Payable	9,304
Accrued Wages and Benefits Payable	582,403
Intergovernmental Payable	454,046
Deferred Revenue	1,331,475
Matured Compensated Absences Payable	18,026
Accrued Interest Payable	4,006
Claims Payable	52,927
Long-Term Liabilities:	
Due Within One Year	138,212
Due in More Than One Year	823,611
<i>Total Liabilities</i>	3,414,010
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,057,759
Restricted for:	
Capital Projects	421,582
Debt Service	748,525
Set-Asides	22,449
Other Purposes	199,793
Unrestricted	1,503,351
<i>Total Net Assets</i>	\$17,953,459

See accompanying notes to the basic financial statements

Bright Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$3,577,156	\$344,545	\$144,380	(\$3,088,231)
Special	830,995	323	522,038	(308,634)
Vocational	237,436	0	71,460	(165,976)
Student Intervention Services	50,189	0	0	(50,189)
Support Services:				
Pupils	424,520	0	30,447	(394,073)
Instructional Staff	526,978	498	243,917	(282,563)
Board of Education	40,581	0	0	(40,581)
Administration	525,674	0	6,000	(519,674)
Fiscal	303,530	0	0	(303,530)
Business	5,831	0	0	(5,831)
Operation and Maintenance of Plant	636,268	4,240	3,368	(628,660)
Pupil Transportation	765,258	0	8,467	(756,791)
Operation of Non-Instructional Services:				
Food Service Operations	328,819	129,577	151,582	(47,660)
Other	613	0	0	(613)
Extracurricular Activities	123,280	32,303	170	(90,807)
Interest and Fiscal Charges	51,527	0	0	(51,527)
Total Governmental Activities	\$8,428,655	\$511,486	\$1,181,829	(6,735,340)
General Revenues				
Property Taxes Levied for:				
				1,241,262
				72,423
				220,189
Grants and Entitlements not				
				4,507,451
				187,009
				42,375
				<u>6,270,709</u>
				(464,631)
				<u>18,418,090</u>
				<u>\$17,953,459</u>

See accompanying notes to the basic financial statements

Bright Local School District

Balance Sheet

Governmental Funds

June 30, 2007

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,115,536	\$746,859	\$167,509	\$613,073	\$3,642,977
Inventory Held for Resale	0	0	0	2,626	\$2,626
Materials and Supplies Inventory	0	0	0	253	253
Interfund Receivable	28,011	0	160,200	0	188,211
Intergovernmental Receivable	930	0	0	72,828	73,758
Property Taxes Receivable	1,268,291	74,565	0	110,059	1,452,915
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	38,095	0	0	0	38,095
<i>Total Assets</i>	<u>\$3,450,863</u>	<u>\$821,424</u>	<u>\$327,709</u>	<u>\$798,839</u>	<u>\$5,398,835</u>
Liabilities					
Accounts Payable	\$7,541	\$0	\$0	\$1,763	\$9,304
Accrued Wages and Benefits Payable	505,410	0	0	76,993	582,403
Matured Compensated Absences Payable	18,026	0	0	0	18,026
Interfund Payable	160,200	0	20,076	7,935	188,211
Intergovernmental Payable	164,277	0	274,353	15,416	454,046
Deferred Revenue	1,227,016	72,088	0	126,997	1,426,101
<i>Total Liabilities</i>	<u>2,082,470</u>	<u>72,088</u>	<u>294,429</u>	<u>229,104</u>	<u>2,678,091</u>
Fund Balances					
Reserved for Encumbrances	120,867	0	0	31,723	152,590
Reserved for Property Taxes	41,275	2,477	0	7,298	51,050
Reserved for Budget Stabilization	22,449	0	0	0	22,449
Reserved for Bus Purchases	15,646	0	0	0	15,646
Unreserved:					
Undesignated, Reported in:					
General Fund	1,168,156	0	0	0	1,168,156
Special Revenue Funds	0	0	0	172,921	172,921
Debt Service Fund	0	746,859	0	0	746,859
Capital Projects Funds	0	0	33,280	357,793	391,073
<i>Total Fund Balances</i>	<u>1,368,393</u>	<u>749,336</u>	<u>33,280</u>	<u>569,735</u>	<u>2,720,744</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,450,863</u>	<u>\$821,424</u>	<u>\$327,709</u>	<u>\$798,839</u>	<u>\$5,398,835</u>

See accompanying notes to the basic financial statements

Bright Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007

Total Governmental Fund Balances		\$2,720,744
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	192,775	
Other capital assets	22,067,271	
Accumulated depreciation	(6,427,287)	
Total capital assets	15,832,759	15,832,759
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	70,390	
Intergovernmental	24,236	
	94,626	94,626
 The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets		
		271,159
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(775,000)	
Accrued interest on bonds	(4,006)	
Compensated absences	(186,823)	
	(965,829)	(965,829)
 Net Assets of Governmental Activities		 \$17,953,459

See accompanying notes to the basic financial statements

Bright Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance:
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,249,507	\$72,916	\$0	\$222,325	\$1,544,748
Intergovernmental	4,769,496	8,804	0	878,210	5,656,510
Interest	179,226	0	7,783	6,078	193,087
Tuition and Fees	344,020	0	0	0	344,020
Rent	4,240	0	0	0	4,240
Extracurricular Activities	0	0	0	32,086	32,086
Gifts and Donations	2,000	0	0	456	2,456
Customer Sales and Services	0	0	0	129,577	129,577
Miscellaneous	15,977	0	0	27,961	43,938
<i>Total Revenues</i>	<u>6,564,466</u>	<u>81,720</u>	<u>7,783</u>	<u>1,296,693</u>	<u>7,950,662</u>
Expenditures					
Current:					
Instruction:					
Regular	3,301,374	0	0	113,605	3,414,979
Special	471,637	0	0	312,510	784,147
Vocational	220,977	0	0	8,002	228,979
Student Intervention Services	50,705	0	0	(516)	50,189
Support Services:					
Pupils	365,912	0	0	46,640	412,552
Instructional Staff	233,099	0	0	241,483	474,582
Board of Education	26,362	0	0	0	26,362
Administration	499,897	0	0	6,549	506,446
Fiscal	283,987	2,839	0	6,803	293,629
Business	5,831	0	0	0	5,831
Operation and Maintenance of Plant	590,242	0	0	14,090	604,332
Pupil Transportation	637,811	0	0	124,217	762,028
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	294,978	294,978
Other	612	0	0	0	612
Extracurricular Activities	90,793	0	0	32,156	122,949
Capital Outlay	2,850	0	0	0	2,850
Debt Service					
Principal Retirement	0	105,000	0	0	105,000
Interest and Fiscal Charges	0	52,217	0	0	52,217
<i>Total Expenditures</i>	<u>6,782,089</u>	<u>160,056</u>	<u>0</u>	<u>1,200,517</u>	<u>8,142,662</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(217,623)</u>	<u>(78,336)</u>	<u>7,783</u>	<u>96,176</u>	<u>(192,000)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	75,500	75,500
Transfers Out	(75,500)	0	0	0	(75,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(75,500)</u>	<u>0</u>	<u>0</u>	<u>75,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(293,123)	(78,336)	7,783	171,676	(192,000)
<i>Fund Balances at Beginning of Year (Restated - Note 3)</i>	<u>1,661,516</u>	<u>827,672</u>	<u>25,497</u>	<u>398,059</u>	<u>2,912,744</u>
<i>Fund Balances at End of Year</i>	<u>\$1,368,393</u>	<u>\$749,336</u>	<u>\$33,280</u>	<u>\$569,735</u>	<u>\$2,720,744</u>

See accompanying notes to the basic financial statements

Bright Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds (\$192,000)

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

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

Capital asset additions	129,821	
Depreciation expense	(630,937)	
Excess of capital outlay under depreciation expense		(501,116)

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

Delinquent Property Taxes	(10,874)	
Intergovernmental	24,236	
		13,362

The Internal Service Fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide Statement of Activities 113,119

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

Bond payments		105,000
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(3,686)	
Decrease in accrued interest payable	690	
Total (increase)/decrease		(2,996)

Change in Net Assets of Governmental Activities (\$464,631)

See accompanying notes to the basic financial statements

Bright Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,407,721	\$1,250,948	\$1,235,606	(\$15,342)
Intergovernmental	4,600,081	4,688,261	4,769,496	81,235
Interest	73,589	75,000	179,226	104,226
Tuition and Fees	225,674	230,000	344,020	114,020
Rent	0	0	4,240	4,240
Gifts and Donations	0	0	2,000	2,000
Miscellaneous	0	0	10,504	10,504
<i>Total Revenues</i>	<u>6,307,065</u>	<u>6,244,209</u>	<u>6,545,092</u>	<u>300,883</u>
Expenditures				
Current:				
Instruction:				
Regular	2,674,033	2,752,441	2,639,178	113,263
Special	442,974	455,129	486,334	(31,205)
Vocational	222,737	231,413	225,790	5,623
Other	511,431	534,984	724,383	(189,399)
Support Services:				
Pupils	333,199	346,500	359,346	(12,846)
Instructional Staff	229,310	239,871	234,247	5,624
Board of Education	86,157	69,662	39,334	30,328
Administration	489,097	505,120	499,033	6,087
Fiscal	299,739	307,684	286,688	20,996
Business	956	1,000	7,541	(6,541)
Operation and Maintenance of Plant	660,351	661,260	623,022	38,238
Pupil Transportation	646,655	658,188	639,939	18,249
Operation of Non-Instructional Services:				
Other	0	0	612	(612)
Extracurricular Activities	62,067	64,925	85,624	(20,699)
Capital Outlay	143,396	150,000	2,850	147,150
<i>Total Expenditures</i>	<u>6,802,101</u>	<u>6,978,177</u>	<u>6,853,921</u>	<u>124,256</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(495,036)</u>	<u>(733,968)</u>	<u>(308,829)</u>	<u>425,139</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	64	64
Refund of Prior Year Expenditures	0	0	4,479	4,479
Transfers Out	0	0	(75,500)	(75,500)
Advances In	50,000	50,000	10,000	(40,000)
Advances Out	(50,000)	(50,000)	(23,835)	26,165
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(84,792)</u>	<u>(84,792)</u>
<i>Net Change in Fund Balance</i>	(495,036)	(733,968)	(393,621)	340,347
<i>Fund Balance at Beginning of Year</i>	2,288,311	2,288,311	2,288,311	0
<i>Prior Year Encumbrances Appropriated</i>	131,117	131,117	131,117	0
<i>Fund Balance at End of Year</i>	<u>\$1,924,392</u>	<u>\$1,685,460</u>	<u>\$2,025,807</u>	<u>\$340,347</u>

See accompanying notes to the basic financial statements

Bright Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2007

	<u>Self-Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$256,529
Cash and Cash Equivalents with Fiscal Agent	<u>67,557</u>
<i>Total Assets</i>	<u>324,086</u>
Liabilities	
Claims Payable	<u>52,927</u>
<i>Total Liabilities</i>	<u>52,927</u>
Net Assets	
Unrestricted	<u><u>\$271,159</u></u>

See accompanying notes to the basic financial statements

Bright Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2007

	Self-Insurance
Operating Revenues	
Charges for Services	\$1,236,996
Operating Expenses	
Purchased Services	25,394
Claims	1,098,483
<i>Total Operating Expenses</i>	1,123,877
<i>Change in Net Assets</i>	113,119
<i>Net Assets at Beginning of Year</i>	158,040
<i>Net Assets at End of Year</i>	\$271,159

See accompanying notes to the basic financial statements

Bright Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2007

Increase (Decrease) in Cash and Cash Equivalents:	Self-Insurance
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,236,996
Cash Payments to Suppliers for Goods and Services	(25,394)
Cash Payments for Claims	(1,165,505)
<i>Net Cash Provided by Operating Activities</i>	46,097
<i>Net Increase in Cash and Cash Equivalents</i>	46,097
<i>Cash and Cash Equivalents at Beginning of Year</i>	277,989
<i>Cash and Cash Equivalents at End of Year</i>	\$324,086
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating Income	\$113,119
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Decrease in Claims Payable	(67,022)
<i>Net Cash Provided by Operating Activities</i>	\$46,097

See accompanying notes to the general purpose financial statements

Bright Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$500	\$21,509
Liabilities		
Undistributed Monies	0	21,509
<i>Total Liabilities</i>	0	\$21,509
Net Assets		
Held in Trust for Scholarships	\$500	

See Accompanying Notes to the Basic Financial Statements

Bright Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$500
Deductions:	
Scholarships Awarded	500
Change in Net Assets	0
Net Assets Beginning of Year	500
Net Assets End of Year	\$500

See Accompanying Notes to the Basic Financial Statements

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 118 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 34 non-certified, 61 teaching personnel and 12 administrative employees providing education to 800 students.

Reporting Entity

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

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

The School District participates in five organizations, two of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a claims servicing pool. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ross County Schools Employees Insurance Consortium. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the claims administrator and the fiscal agent at June 30, 2007, is presented as "Cash and Cash Equivalents with Fiscal Agent".

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 2007 amounted to \$179,226, which includes \$79,859 from other School District funds.

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended revenues restricted for the purchase of buses and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 16 for additional information regarding set-asides.

H. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount shown as “Intergovernmental Payable” in the Classroom Facilities Construction Fund represents excess monies related to the School District’s Ohio School Facilities Commission construction project. The Ohio School Facilities Commission (OSFC) has request the District make certain payments and record certain transactions related to a 2004 building project completed by the District. These transactions represent project costs which are in excess of OSFC’s initial assessment, and the management of the District is not in complete agreement with the request. Management of the District has met with representatives of OSFC in an attempt to resolve the disagreement, but have not yet came to a resolution. This amount must be repaid by the School District before the Ohio School Facilities Commission can close the project.

L. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

M. Net Assets

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

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

The government-wide Statement of Net Assets reports \$1,392,349 of restricted net assets, none of which are restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves

The School District reserves those portions of fund balance 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 balance reserves have been established for encumbrances, property taxes, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2007. The reserve for budget stabilization is money required by State statute to be set aside to protect against cyclical changes in revenues and expenditures.

O. Estimates

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

P. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 – RESTATEMENT OF NET ASSETS

In 2006 the School District incorrectly reported a private purpose trust fund. For 2007 the activity of this fund has been properly reported as a fiduciary fund. The restatement had the following effect on fund balance/net assets at June 30, 2006 as previously reported.

	<i>Special Revenue Fund</i>	<i>Private Purpose Trust Fund</i>	<i>Governmental Activities</i>
Fund Balance/Net Assets, June 30, 2006 as Reported	\$500	\$0	\$18,418,590
Fund Reclassification	(500)	500	(500)
Fund Balance/Net Assets, June 30, 2006 Restated	<u>\$0</u>	<u>\$500</u>	<u>\$18,418,090</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$293,123)
Adjustments:	
Revenue Accruals	(14,831)
Expenditure Accruals	55,965
Encumbrances	(127,797)
Advances	(13,835)
Budget Basis	<u><u>(\$393,621)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2007, the School District had "Cash and Cash Equivalents with Fiscal Agent" on the Statement of Net Assets of \$67,557. This is money paid to a claims servicing pool that pays employee health insurance claims on the School District's behalf. The money is held by Ross-Pike Educational Service District, which is the fiscal agent for several school districts. Since the monies are commingled, no disclosures regarding risk can be disclosed under GASB Statement No. 40. The classification for the Ross-Pike Educational Service District as a whole can be obtained by writing to Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2007 tangible personal property tax was not received until July 2007.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$41,275 in the General Fund, \$2,477 in the Debt Service Fund, \$892 in the Classroom Facilities Fund, and \$6,406 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2006, was \$27,374 in the General Fund, \$1,641 in the Debt Service Fund, and \$5,233 in the Permanent Improvement Fund.

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$56,789,780	90.83%	\$62,949,770	91.89%
Public Utility Personal	5,255,190	8.40%	5,152,890	7.52%
General Business Personal	488,414	0.78%	403,529	0.59%
Total Assessed Value	<u>\$62,533,384</u>	<u>100.00%</u>	<u>\$68,506,189</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$34.66		 \$34.66	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007, consisted of interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year fiscal guarantee of federal funds. All receivable amounts, except delinquent property taxes, are expected to be received within one year. Intergovernmental receivables consisted of the following:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Food Service - Federal Lunchroom Reimbursement	\$16,263
Safe Schools Help Line Grant	27,488
Title VI-B Idea Grant	5,600
Title I Grant	12,634
Title II-A Improving Teacher Quality Grant	5,401
Title II-D Technology Grant	2,761
Miscellaneous Revenue	3,611
Total Intergovernmental Receivable	<u>\$73,758</u>

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at <u>6/30/06</u>	Additions	Deductions	Balance at <u>6/30/07</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$192,775	\$0	\$0	\$192,775
Capital Assets Being Depreciated:				
Land Improvements	773,819	0	0	773,819
Buildings and Building Improvements	18,722,699	2,850	0	18,725,549
Furniture, Fixtures and Equipment	1,598,956	2,841	(6,988)	1,594,809
Vehicles	848,964	124,130	0	973,094
Total Capital Assets Being Depreciated	<u>21,944,438</u>	<u>129,821</u>	<u>(6,988)</u>	<u>22,067,271</u>
Less Accumulated Depreciation:				
Land Improvements	(335,111)	(48,556)	0	(383,667)
Buildings and Building Improvements	(3,985,368)	(415,737)	0	(4,401,105)
Furniture, Fixtures and Equipment	(1,021,658)	(91,011)	6,988	(1,105,681)
Vehicles	(461,201)	(75,633)	0	(536,834)
Total Accumulated Depreciation	<u>(5,803,338)</u>	<u>(630,937) *</u>	<u>6,988</u>	<u>(6,427,287)</u>
Total Capital Assets Being Depreciated, Net	<u>16,141,100</u>	<u>(501,116)</u>	<u>0</u>	<u>15,639,984</u>
Governmental Activities Capital Assets, Net	<u>\$16,333,875</u>	<u>(\$501,116)</u>	<u>\$0</u>	<u>\$15,832,759</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$209,880
Special	50,799
Vocational	10,623
Support Services:	
Pupils	11,141
Instructional Staff	58,399
Board of Education	15,934
Administration	28,941
Fiscal	16,178
Operation and Maintenance of Plant	40,235
Pupil Transportation	150,752
Operation of Non-Instructional Services	37,724
Extracurricular Activities	331
Total Depreciation Expense	<u>\$630,937</u>

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with the Ohio School Plan (OSP) for fleet, general liability, and violence insurance and with the Ohio School Insurance Program for property insurance.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan, an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 15)

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

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

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

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - RISK MANAGEMENT (continued)

Insurance coverage provided for property by the Ohio School Insurance Program holds a \$1,000 deductible with a \$22,886,959 limit on all losses. The School District pays its annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina.

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

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical, Vision and Dental Benefits

Medical, vision and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of thirteen school districts and one educational service center within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent, who in turn pays the claims on the School District's behalf. The claims liability of \$52,927 reported in the Internal Service Fund at June 30, 2007, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issue,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	\$152,241	\$970,548	\$1,002,840	\$119,949
2007	119,949	1,098,483	1,165,505	52,927

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$100,023, \$101,449, and \$95,440, respectively; 50.24 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$368,730, \$347,936, and \$340,578, respectively; 83.49 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$244 made by the School District and \$8,783 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, all of the School District's members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$28,364 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$45,135.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Up to two years of 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 200 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 payment of 55 days for teachers. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum payment of 60 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.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
School Improvement Bonds					
1985 9.125%	\$225,000	\$0	\$75,000	\$150,000	\$75,000
School Improvement Bonds					
1998 5.4064%	655,000	0	30,000	625,000	30,000
Total General Obligation Bonds	880,000	0	105,000	775,000	105,000
<u>Other Long-Term Obligations:</u>					
Compensated Absences	183,137	15,006	11,320	186,823	33,212
Total Governmental Activities					
Long-Term Obligations	\$1,063,137	\$15,006	\$116,320	\$961,823	\$138,212

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

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

Compensated absences will be paid from the General, Poverty Based Assistance, Title VI-B, Title I, Title II-A, Title II-D and Food Service funds.

The School District's overall legal debt margin was \$6,053,830 with an unvoted debt margin of \$67,550 at June 30, 2007.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$105,000	\$43,934	\$148,934
2009	105,000	35,627	140,627
2010	35,000	30,455	65,455
2011	35,000	28,425	63,425
2012	40,000	26,250	66,250
2013-2017	225,000	94,355	319,355
2018-2021	230,000	25,380	255,380
Total	\$775,000	\$284,426	\$1,059,426

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

The School District paid SCOCA \$107,965 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

B. Hopewell Special Education Regional Resource Center

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen 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 advisory board. The advisory board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, 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 Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. The School District paid Hopewell \$47,786 for services provided during the fiscal year. To obtain financial information, write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne Drive, Wilmington, Ohio, 45177.

NOTE 15 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS

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

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

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool for vehicle and general liability insurance. The 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 thirteen member Board of Directors consisting of

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS (continued)

school district superintendents and treasurers, as well as Dave Harcum, an independent consultant of the Hylant Group, Inc., and a partner of the Hylant Group, Inc. The Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims.

C. Ross County Schools Employees Insurance Consortium

The School District is a member of the Ross County School Employees Insurance Consortium (the “Consortium”), a claims servicing pool consisting of thirteen school districts and one educational service center within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Medical Mutual. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Ross-Pike Educational Service District Erin Kirby, who serves as Treasurer, at 475 Western Avenue, Suite E, Chillicothe, Ohio 45601.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2006	(\$120,748)	\$0	\$22,449
Current Fiscal Year Set-aside Requirement	122,628	122,628	0
Current Fiscal Year Offsets	0	(30,457)	0
Qualifying Disbursements	(95,708)	(189,555)	0
Totals	<u>(93,828)</u>	<u>(97,384)</u>	<u>22,449</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$93,828)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

NOTE 17 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2007, were as follows:

	Transfer From
Transfer To	General Fund
All Other Governmental Funds	\$75,500

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable		
		General Fund	Classroom Facilities Construction Fund	Total
Payable	General Fund	\$0	\$160,200	\$160,200
	Classroom Facilities Construction Fund	20,076	0	20,076
	All Other Governmental Funds	7,935	0	7,935
	Total	\$28,011	\$160,200	\$188,211

The amount owed to the General Fund from the Classroom Facilities Capital Projects Fund related to the Ohio School Facilities Commission construction project is \$20,076. The amount owed to the Classroom Facilities Construction Fund is the amount due to the Classroom Facilities Capital Projects Fund for the local share of the construction project. The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in the other funds. The General Fund will be reimbursed when funds become available in the special revenue funds.

Bright Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 18 - ACCOUNTABILITY

At June 30, 2007, the Ohio Reads, Agricultural Education, Poverty Based Assistance, and Title I Nonmajor Special Revenue Funds had deficit fund balances of \$7,985, \$125, \$2,419, and \$17,089, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 - 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, 2007.

B. Litigation

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

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

**FEDERAL AWARD EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education.</i>						
Food Distribution Program	N/A	10.550	\$ -	\$ 19,819	\$ -	\$ 19,819
Nutrition Cluster:						
National School Breakfast Program	05-PU-07	10.553	21,966	-	21,966	-
	05-PU-06		8,267	-	8,267	-
National School Lunch Program	LL-P4-07	10.555	62,517	-	62,517	-
	LL-P4-06		24,898	-	24,898	-
			<u>117,648</u>	<u>-</u>	<u>117,648</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>117,648</u>	<u>19,819</u>	<u>117,648</u>	<u>19,819</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education.</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI B) Handicapped	6B-SF-07	84.027	192,401	-	180,272	-
	6B-SF-06		11,168	-	14,194	-
Special Education Grants to States (Title VI B) Preschool	PG-S1-07	84.173	2,372	-	2,372	-
	PG-S1-06		889	-	986	-
Total Special Education Cluster			<u>206,830</u>	<u>-</u>	<u>197,824</u>	<u>-</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-07	84.010	285,694	-	278,129	-
Innovative Educational Program Strategies	C2-S1-07	84.298	1,082	-	1,082	-
Technology State Formula Grants	TJ-S1-07	84.318	3,078	-	2,496	-
Improving Teacher Quality State Grants	TR-S1-07	84.367	56,101	-	49,908	-
Rural Education Achievement Program	RU-S1-07	84.358	19,326	-	17,767	-
Drug-Free Schools Grant	DR-S1-07	84.186	5,937	-	3,085	-
	DR-S1-06		-	-	4,446	-
Learn and Serve America_School and Community Based Programs	SV-S1-07	94.004	3,000	-	2,732	-
Total Department of Education			<u>581,048</u>	<u>-</u>	<u>557,469</u>	<u>-</u>
Totals			<u>\$ 698,696</u>	<u>\$ 19,819</u>	<u>\$ 675,117</u>	<u>\$ 19,819</u>

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

**BRIGHT LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the District's management in a separate letter dated June 18, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 18, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the District's Board of Education, management, audit committee, management, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 18, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Bright Local School District, Highland County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
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www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

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

Mary Taylor, CPA
Auditor of State

June 18, 2008

**BRIGHT LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	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 others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Finding for Recovery Repaid Under Audit

The Bright Local School District Mowrystown Future Farmers of America (FFA) student group completed a discount card fundraiser from which profits were used to support the Mowrystown Future Farmers of America student organization. The Bright Local School District Student Activities Funds Management policy states, in part, that "to safeguard and provide for the efficient financial operation of student activities, the funds of these activities are managed as follows. 1. The Treasurer is authorized to receive and disburse student funds in support of the entire school activity program. The Treasurer is directly responsible for the proper accounting of student activities funds. The FFA fundraiser sold cards that provided for discounts on dining and entertainment in the local area. For this sale, the District ordered and paid for 600 discount cards at a cost of \$5 each, a total of \$3,000. The cards were sold at \$10 each for a total potential collection of \$6,000.

**FINDING NUMBER 2007-001
(Continued)**

Our testing of the student activity receipt records indicated that 184 cards were sold. At the end of the sale, 131 cards were returned unsold. Additionally, sponsors indicated that a box of 200 cards was disposed of at the end of the school year. Detailed records were not maintained to account for the number of cards given to each student, or to account for the number of cards sold and returned by each student. As a result 85 cards were unaccounted for, resulting in \$425 (\$5 x 85) due but not collected.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

The Future Farmers of America student activity advisors and District treasurer were notified on June 9, 2008 of the discount card fundraiser money due but uncollected. On June 11, 2008, the advisors and treasurer repaid \$425 to the credit of the Mowrystown Future Farmers of America student activity fund of Bright Local School District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



Mary Taylor, CPA
Auditor of State

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
JULY 15, 2008