

Bright Local School District  
Highland County, Ohio

Single Audit

July 1, 2008 through June 30, 2009  
Fiscal Years Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Education  
Bright Local School District  
44 North High Street  
P. O. Box 299  
Mowrystown, Ohio 45155

We have reviewed the *Independent Auditor's Report* of the Bright Local School District, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bright Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 23, 2010

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**Bright Local School District**  
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### Independent Auditor's Report

Members of the Board  
Bright Local School District  
44 North High Street  
Mowrystown, Ohio 45155

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bright Local School District (the School District), Highland County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

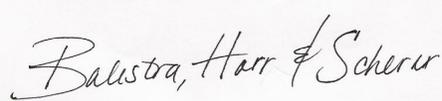
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the School District, as of June 30, 2009, 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 December 30, 2009 on our consideration of the School 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.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 30, 2009

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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As management of the Bright Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. 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, 2009 by \$16,301,448.
- The School District's net assets decreased \$773,846 during this fiscal year's operations.
- General revenues accounted for \$6,309,772 or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,818,916 or 22 percent of all revenues of \$8,128,688.
- The School District had \$8,902,534 in expenses related to governmental activities; only \$1,818,916 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 and notes to those 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. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the 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, 2009  
Unaudited

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

### **Fund Financial Statements**

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.

**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. The Internal Service Fund is used to account for the dental and vision benefits provided to employees, the final payout of claims for medical benefits in relation to the self-insurance program that the School District operated prior to 2007 and the collection and payment of premiums for medical insurance to the insurance purchasing pool.

**Fiduciary Fund** – The School District's only fiduciary fund is an agency fund. We exclude this activity from the School District's other financial statements because the School District cannot use these assets to finance its operations. 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. 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 the fiscal years ended 2009 and 2008.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

Table 1  
Net Assets  
Governmental Activities

	2009	2008	Change
<b>Assets</b>			
Current and Other Assets	\$4,922,234	\$5,189,723	(\$267,489)
Capital Assets, Net	14,787,315	15,347,950	(560,635)
Total Assets	<u>19,709,549</u>	<u>20,537,673</u>	<u>(828,124)</u>
<b>Liabilities</b>			
Other Liabilities	2,647,710	2,578,831	68,879
Long-Term Liabilities	760,391	883,548	(123,157)
Total Liabilities	<u>3,408,101</u>	<u>3,462,379</u>	<u>(54,278)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	14,222,315	14,677,950	(455,635)
Restricted	1,140,749	1,252,456	(111,707)
Unrestricted	938,384	1,144,888	(206,504)
Total Net Assets	<u>\$16,301,448</u>	<u>\$17,075,294</u>	<u>(\$773,846)</u>

Total assets decreased \$828,124. Capital assets decreased \$560,635 due mainly to the recognition of \$605,275 in depreciation, offset by additions of \$44,640. Total net assets decreased \$773,846, partially due to a decrease in invested in capital assets (net of related debt issued to acquire the assets). Restricted net assets decreased \$111,707. This was due mainly to a decrease in net assets restricted for debt service related to principal and interest payments on debt service exceeding tax revenues collected for debt service. Unrestricted net assets decreased \$206,504.

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 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 interest, and miscellaneous revenue.

**Bright Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2009**  
**Unaudited**

Table 2  
Change in Net Assets  
Governmental Activities

	2009	2008	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$601,700	\$519,624	\$82,076
Operating Grants, Contributions and Interest	1,208,216	1,235,767	(27,551)
Capital Grants and Contributions	9,000	9,309	(309)
Total Program Revenues	<u>1,818,916</u>	<u>1,764,700</u>	<u>54,216</u>
General Revenues:			
Property Taxes	1,492,111	1,412,770	79,341
Grants and Entitlements not Restricted to Specific Programs	4,724,793	4,674,125	50,668
Gifts and Donations	200	0	200
Interest	25,099	122,003	(96,904)
Miscellaneous	67,569	48,984	18,585
Total General Revenues	<u>6,309,772</u>	<u>6,257,882</u>	<u>51,890</u>
 Total Revenues	 <u>8,128,688</u>	 <u>8,022,582</u>	 <u>106,106</u>
 <b>Program Expenses</b>			
Instruction:			
Regular	3,976,222	3,897,508	78,714
Special	931,471	875,109	56,362
Vocational	190,116	251,875	(61,759)
Student Intervention Services	61,384	48,428	12,956
Support Services:			
Pupils	429,028	422,862	6,166
Instructional Staff	498,477	532,018	(33,541)
Board of Education	46,378	53,404	(7,026)
Administration	527,313	542,776	(15,463)
Fiscal	310,199	306,614	3,585
Business	4,258	4,340	(82)
Operation and Maintenance of Plant	682,869	668,641	14,228
Pupil Transportation	716,344	783,111	(66,767)
Operation of Non-Instructional Services:			
Food Service Operations	382,264	349,096	33,168
Other	350	146	204
Extracurricular Activities	110,926	121,576	(10,650)
Interest and Fiscal Charges	34,935	43,243	(8,308)
Total Expenses	<u>8,902,534</u>	<u>8,900,747</u>	<u>1,787</u>
Change in Net Assets	(773,846)	(878,165)	104,319
Net Assets at Beginning of Year	17,075,294	17,953,459	(878,165)
Net Assets at End of Year	<u>\$16,301,448</u>	<u>\$17,075,294</u>	<u>(\$773,846)</u>

Overall, revenues increased \$106,106. Regular instruction increased \$78,714, primarily due to salary increases.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions and interest 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 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
Instruction	\$5,159,193	\$5,072,920	(\$3,965,235)	(\$3,920,717)
Support Services	3,214,866	3,313,766	(2,965,636)	(3,050,195)
Operation of Non- Instructional Services	382,614	349,242	(33,543)	(29,016)
Extracurricular Activities	110,926	121,576	(84,269)	(92,876)
Interest and Fiscal Charges	34,935	43,243	(34,935)	(43,243)
Total Expenses	<u>\$8,902,534</u>	<u>\$8,900,747</u>	<u>(\$7,083,618)</u>	<u>(\$7,136,047)</u>

**The School District's Funds**

Information about the School District's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,078,272 and expenditures of \$8,483,096. The net change in fund balance was most significant in the General Fund, a decrease of \$239,473. This was mainly due to an increase in regular instruction of \$265,865 related to overall salary increases.

The Debt Service Fund saw a decrease in fund balance this fiscal year of \$61,516.

The net change in fund balance in the Classroom Facilities Construction Fund of \$1,256 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, 2009  
Unaudited

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**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 2009, 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 18, 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 \$419,910 above the final budgeted amount for the General Fund.

For the General Fund, original budgeted revenues were \$7,052,964 and final budgeted revenues were \$6,897,415. This represents a decrease in estimated revenue of \$155,549, which was primarily due to a decrease in property tax revenue. The difference between actual budget basis revenues and final budgeted revenues was \$38,597, which was due to decreases in property taxes and interest offset by an increase in intergovernmental revenues and tuition and fees.

Original budgeted expenditures in the General Fund were \$7,867,037 and final budgeted expenditures were \$7,711,902. This represents a decrease in estimated expenditures of \$155,135, due to overall decreases in expenditures during the fiscal year. The difference between actual budget basis expenditures and final budgeted expenditures was \$446,315, 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, 2009 was \$14,787,315. The investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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

	2009	2008
Land	\$192,775	\$192,775
Land Improvements	313,357	353,463
Buildings and Building Improvements	13,495,432	13,908,704
Furniture, Fixtures and Equipment	407,222	464,512
Vehicles	378,529	428,496
Totals	<u>\$14,787,315</u>	<u>\$15,347,950</u>

Net capital assets decreased \$560,635 from the prior fiscal year. This is due to depreciation expense of \$605,275, offset by additions of capital assets of \$44,640.

For more information on capital assets, refer to note 7 to the basic financial statements.

**Debt**

At June 30, 2009, the School District had \$565,000 in bonds outstanding, with \$35,000 due within one year. Table 5 summarizes the bonds outstanding at fiscal year-end.

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

	2009	2008
General Obligation Bonds:		
1985 School Improvement Bonds	\$0	\$75,000
1998 School Improvement Bonds	565,000	595,000
Totals	<u>\$565,000</u>	<u>\$670,000</u>

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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The School District's overall legal debt margin was \$6,403,476 with an unvoted debt margin of \$70,572 at June 30, 2009.

For more information on debt, refer to note 12 to the basic financial statements.

**Financial Issues/Concerns**

One of the biggest concerns 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 with other area schools to provide health care coverage at a group discounted rate. The Consortium is continually looking at possibilities for cost savings in plan design to offset the rising cost of health care coverage. 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 School District.

With the exception of fiscal year 2008, the School District has experienced repeated declines in enrollment that has had 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 70 percent of the School District's funding comes from the State; therefore any changes 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 School District include the increasing costs of utilities and fuel for transportation. 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 2009, by working with surrounding schools when seeking quotes. However, instability of the energy market could significantly impact our utility and fuel expenses. The housing market slump and increase in foreclosures could also negatively impact the School District. Real estate valuations could decline thereby reducing the amount of property taxes the School District receives. The State of Ohio's poor economic position is also a concern as the State may not be able to offset the loss of local revenue. Ohio is also experiencing a significant amount of job losses.

The School District began offering all day, every day kindergarten in fiscal year 2004. We were able to fund this program through federal 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 should 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 received a Report Card rating of 'Effective' from the State for fiscal year 2008 and 2009. 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, 2009  
Unaudited

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**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 299, Mowrystown, Ohio 45155.

**Bright Local School District**

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,261,636
Prepaid Items	2,213
Inventory Held for Resale	2,006
Materials and Supplies Inventory	316
Intergovernmental Receivable	57,394
Property Taxes Receivable	1,598,669
Capital Assets:	
Land	192,775
Depreciable Capital Assets, Net	<u>14,594,540</u>
<i>Total Assets</i>	<u>19,709,549</u>
<b>Liabilities</b>	
Accounts Payable	23,578
Accrued Wages and Benefits Payable	618,013
Intergovernmental Payable	463,097
Deferred Revenue	1,441,981
Matured Compensated Absences Payable	86,703
Accrued Interest Payable	2,623
Claims Payable	11,715
Long-Term Liabilities:	
Due Within One Year	96,283
Due in More Than One Year	<u>664,108</u>
<i>Total Liabilities</i>	<u>3,408,101</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	14,222,315
Restricted for:	
Capital Projects	287,587
Debt Service	621,748
Set-Asides	22,449
Other Purposes	208,965
Unrestricted	<u>938,384</u>
<i>Total Net Assets</i>	<u><u>\$16,301,448</u></u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,976,222	\$436,089	\$117,328	\$0	(\$3,422,805)
Special	931,471	0	583,959	0	(347,512)
Vocational	190,116	0	56,582	0	(133,534)
Student Intervention Services	61,384	0	0	0	(61,384)
Support Services:					
Pupils	429,028	0	33,125	0	(395,903)
Instructional Staff	498,477	0	191,910	0	(306,567)
Board of Education	46,378	0	0	0	(46,378)
Administration	527,313	0	0	9,000	(518,313)
Fiscal	310,199	0	0	0	(310,199)
Business	4,258	0	0	0	(4,258)
Operation and Maintenance of Plant	682,869	8,384	86	0	(674,399)
Pupil Transportation	716,344	0	6,725	0	(709,619)
Operation of Non-Instructional Services:					
Food Service Operations	382,264	132,700	216,371	0	(33,193)
Other	350	0	0	0	(350)
Extracurricular Activities	110,926	24,527	2,130	0	(84,269)
Interest and Fiscal Charges	34,935	0	0	0	(34,935)
<i>Total Governmental Activities</i>	<u>\$8,902,534</u>	<u>\$601,700</u>	<u>\$1,208,216</u>	<u>\$9,000</u>	<u>(7,083,618)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	1,390,241
Debt Service	72,296
Capital Outlay	29,574
Grants and Entitlements not	
Restricted to Specific Programs	4,724,793
Gifts and Donations	200
Interest	25,099
Miscellaneous	67,569
<i>Total General Revenues</i>	<u>6,309,772</u>
<i>Change in Net Assets</i>	(773,846)
<i>Net Assets at Beginning of Year</i>	<u>17,075,294</u>
<i>Net Assets at End of Year</i>	<u>\$16,301,448</u>

See accompanying notes to the basic financial statements

**Bright Local School District**

Balance Sheet

Governmental Funds

June 30, 2009

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,737,696	\$617,026	\$174,157	\$490,914	\$3,019,793
Inventory Held for Resale	0	0	0	2,006	2,006
Materials and Supplies Inventory	0	0	0	316	316
Interfund Receivable	0	0	140,124	0	140,124
Intergovernmental Receivable	0	0	0	57,394	57,394
Prepaid Items	0	0	0	2,213	2,213
Property Taxes Receivable	1,494,152	73,241	0	31,276	1,598,669
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	48,220	0	0	0	48,220
<i>Total Assets</i>	<u>\$3,280,068</u>	<u>\$690,267</u>	<u>\$314,281</u>	<u>\$584,119</u>	<u>\$4,868,735</u>
<b>Liabilities</b>					
Accounts Payable	\$12,967	\$0	\$0	\$10,611	\$23,578
Accrued Wages and Benefits Payable	536,033	0	0	81,980	618,013
Matured Compensated Absences Payable	74,539	0	0	12,164	86,703
Interfund Payable	140,124	0	0	0	140,124
Intergovernmental Payable	162,315	0	274,353	26,429	463,097
Deferred Revenue	1,426,991	69,839	0	36,723	1,533,553
<i>Total Liabilities</i>	<u>2,352,969</u>	<u>69,839</u>	<u>274,353</u>	<u>167,907</u>	<u>2,865,068</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	200,872	0	0	79,456	280,328
Reserved for Property Taxes	67,161	3,402	0	1,462	72,025
Reserved for Budget Stabilization	22,449	0	0	0	22,449
Reserved for Bus Purchases	25,771	0	0	0	25,771
Unreserved:					
Undesignated, Reported in:					
General Fund	610,846	0	0	0	610,846
Special Revenue Funds	0	0	0	169,089	169,089
Debt Service Fund	0	617,026	0	0	617,026
Capital Projects Funds	0	0	39,928	166,205	206,133
<i>Total Fund Balances</i>	<u>927,099</u>	<u>620,428</u>	<u>39,928</u>	<u>416,212</u>	<u>2,003,667</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,280,068</u>	<u>\$690,267</u>	<u>\$314,281</u>	<u>\$584,119</u>	<u>\$4,868,735</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, 2009

**Total Governmental Fund Balances** \$2,003,667

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

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

Land	192,775	
Other capital assets	22,094,333	
Accumulated depreciation	(7,499,793)	
Total capital assets	14,787,315	14,787,315

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	84,663	
Intergovernmental	6,909	
	91,572	91,572

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

181,908

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(2,623)

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	(565,000)	
Compensated absences	(195,391)	
	(760,391)	(760,391)

**Net Assets of Governmental Activities**

\$16,301,448

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,348,207	\$70,302	\$0	\$28,639	\$1,447,148
Intergovernmental	5,076,635	11,977	0	844,808	5,933,420
Interest	23,713	0	1,256	1,136	26,105
Tuition and Fees	436,089	0	0	0	436,089
Rent	8,384	0	0	0	8,384
Extracurricular Activities	0	0	0	24,527	24,527
Gifts and Donations	200	0	0	2,130	2,330
Customer Sales and Services	0	0	0	132,700	132,700
Miscellaneous	6,547	0	0	61,022	67,569
<i>Total Revenues</i>	<u>6,899,775</u>	<u>82,279</u>	<u>1,256</u>	<u>1,094,962</u>	<u>8,078,272</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	3,662,880	0	0	124,638	3,787,518
Special	586,961	0	0	302,749	889,710
Vocational	180,065	0	0	0	180,065
Student Intervention Services	61,384	0	0	0	61,384
Support Services:					
Pupils	332,999	0	0	83,368	416,367
Instructional Staff	224,143	0	0	219,955	444,098
Board of Education	31,444	0	0	0	31,444
Administration	504,160	0	0	9,000	513,160
Fiscal	293,163	3,168	0	960	297,291
Business	4,258	0	0	0	4,258
Operation and Maintenance of Plant	597,694	0	0	61,015	658,709
Pupil Transportation	572,373	0	0	26,734	599,107
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	345,910	345,910
Other	350	0	0	0	350
Extracurricular Activities	84,871	0	0	25,724	110,595
Capital Outlay	2,503	0	0	0	2,503
Debt Service					
Principal Retirement	0	105,000	0	0	105,000
Interest and Fiscal Charges	0	35,627	0	0	35,627
<i>Total Expenditures</i>	<u>7,139,248</u>	<u>143,795</u>	<u>0</u>	<u>1,200,053</u>	<u>8,483,096</u>
<i>Net Change in Fund Balances</i>	(239,473)	(61,516)	1,256	(105,091)	(404,824)
<i>Fund Balances at Beginning of Year</i>	<u>1,166,572</u>	<u>681,944</u>	<u>38,672</u>	<u>521,303</u>	<u>2,408,491</u>
<i>Fund Balances at End of Year</i>	<u>\$927,099</u>	<u>\$620,428</u>	<u>\$39,928</u>	<u>\$416,212</u>	<u>\$2,003,667</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, 2009

**Net Change in Fund Balances - Total Governmental Funds** (\$404,824)

***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	44,640	
Depreciation expense	<u>(605,275)</u>	
Excess of capital outlay under depreciation expense		(560,635)

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	44,963	
Intergovernmental	<u>5,453</u>	
		50,416

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 17,348

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:

Decrease in compensated absences payable	18,157	
Decrease in accrued interest payable	<u>692</u>	
Total (increase)/decrease		<u>18,849</u>

**Change in Net Assets of Governmental Activities** (\$773,846)

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,582,347	\$1,395,964	\$1,320,130	(\$75,834)
Intergovernmental	4,998,406	5,026,578	5,063,755	37,177
Interest	118,256	118,923	23,713	(95,210)
Tuition and Fees	346,000	347,950	436,089	88,139
Rent	7,955	8,000	8,384	384
Gifts and Donations	0	0	200	200
Miscellaneous	0	0	6,547	6,547
<i>Total Revenues</i>	<u>7,052,964</u>	<u>6,897,415</u>	<u>6,858,818</u>	<u>(38,597)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,114,136	3,096,031	2,877,661	218,370
Special	585,846	578,017	612,301	(34,284)
Vocational	244,939	246,766	180,463	66,303
Student Intervention Services	53,365	53,998	52,309	1,689
Other	650,286	658,000	757,910	(99,910)
Support Services:				
Pupils	407,241	401,287	338,619	62,668
Instructional Staff	269,606	254,535	238,681	15,854
Board of Education	84,073	74,863	47,183	27,680
Administration	509,014	509,018	505,941	3,077
Fiscal	304,107	301,939	301,298	641
Business	4,941	5,000	4,597	403
Operation and Maintenance of Plant	728,657	651,473	651,701	(228)
Pupil Transportation	680,893	648,465	612,647	35,818
Operation of Non-Instructional Services:				
Other	139	70	420	(350)
Extracurricular Activities	116,367	117,668	81,353	36,315
Capital Outlay	113,427	114,772	2,503	112,269
<i>Total Expenditures</i>	<u>7,867,037</u>	<u>7,711,902</u>	<u>7,265,587</u>	<u>446,315</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(814,073)</u>	<u>(814,487)</u>	<u>(406,769)</u>	<u>407,718</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	0	12,880	12,880
Transfers Out	0	0	(688)	(688)
Advances In	50,000	50,000	44,166	(5,834)
Advances Out	(50,000)	(50,000)	(44,166)	5,834
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>12,192</u>	<u>12,192</u>
<i>Net Change in Fund Balance</i>	(814,073)	(814,487)	(394,577)	419,910
<i>Fund Balance at Beginning of Year</i>	1,726,691	1,726,691	1,726,691	0
<i>Prior Year Encumbrances Appropriated</i>	<u>245,541</u>	<u>245,541</u>	<u>245,541</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,158,159</u>	<u>\$1,157,745</u>	<u>\$1,577,655</u>	<u>\$419,910</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Fund Net Assets  
Internal Service Fund  
June 30, 2009

	<u>Self-Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$193,623
<b>Liabilities</b>	
Claims Payable	<u>11,715</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$181,908</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, 2009

	Self-Insurance
<b>Operating Revenues</b>	
Charges for Services	\$76,273
<b>Operating Expenses</b>	
Purchased Services	4,948
Claims	53,977
<i>Total Operating Expenses</i>	58,925
<i>Change in Net Assets</i>	17,348
<i>Net Assets at Beginning of Year</i>	164,560
<i>Net Assets at End of Year</i>	\$181,908

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, 2009

<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	<b>Self-Insurance</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Quasi-External	
Transactions With Other Funds	\$76,273
Cash Payments to Suppliers for Goods and Services	(5,078)
Cash Payments for Claims	(89,095)
<i>Net Cash Used for Operating Activities</i>	(17,900)
<i>Cash and Cash Equivalents at Beginning of Year</i>	211,523
<i>Cash and Cash Equivalents at End of Year</i>	\$193,623
 <b>Reconciliation of Operating Income to Net</b>	
<b>Cash Used for Operating Activities:</b>	
Operating Income	\$17,348
 <b>Adjustments to Reconcile Operating Income to Net</b>	
<b>Cash Used for Operating Activities:</b>	
Decrease in Intergovernmental Payable	(130)
Decrease in Claims Payable	(35,118)
<i>Net Cash Used for Operating Activities</i>	(\$17,900)

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$23,347</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$23,347</u>

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, 2009

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

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

The School District was established in 1968. 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 35 non-certified employees, 60 teaching personnel and 11 administrative employees providing education to 811 students.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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 four organizations, one of which is defined as a jointly governed organization, two as insurance purchasing pools and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Schools of Ohio Risk Sharing Authority, Inc., and the Brown County School Benefits Consortium. These organizations are presented in Notes 13, 14, and 15 to the basic financial statements.

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

The financial statements of the Bright Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted 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, 2009

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. 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. 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, 2009

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

Proprietary Fund

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

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

Fiduciary Fund

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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.

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that 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 60 days of fiscal year-end.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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.

**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, 2009, but which were levied to finance fiscal year 2010 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.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

During fiscal year 2009, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$23,713, which includes \$10,817 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.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Inventory**

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

**H. 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.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

**I. 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 \$2,500. 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

**J. 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.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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.

**L. 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 fund 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.

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

**M. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

**N. 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 \$1,140,749 of restricted net assets, none of which are restricted by enabling legislation.

**O. 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 2009. The reserve for budget stabilization is money required by State statute to be set aside to protect against cyclical changes in revenues and expenditures.

**P. 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.

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

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

**NOTE 3 - 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).

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$239,473)
Adjustments:	
Revenue Accruals	(28,077)
Expenditure Accruals	81,234
Encumbrances	<u>(208,261)</u>
Budget Basis	<u><u>(\$394,577)</u></u>

**NOTE 4 - 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;

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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 (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Investments**

As of June 30, 2009, the School District had the following investment:

	Fair Value	Maturity
STAROhio	\$2,499,972	Average 58.1 Days

**Credit Risk**

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**NOTE 5 - 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected in calendar year 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Highland and Adams Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The amount available as an advance at June 30, 2009, was \$67,161 in the General Fund, \$3,402 in the Debt Service Fund and \$1,462 in the Classroom Facilities Fund (All Other Governmental Funds). The amount available as an advance at June 30, 2008, was \$39,084 in the General Fund, \$2,343 in the Debt Service Fund, \$841 in the Classroom Facilities Fund (All Other Governmental Funds).

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$64,127,980	91.70%	\$65,443,110	92.13%
Public Utility Personal	5,232,070	7.48%	5,411,700	7.62%
General Business Personal	573,181	0.82%	175,330	0.25%
Total Assessed Value	<u>\$69,933,231</u>	<u>100.00%</u>	<u>\$71,030,140</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$31.30	\$27.20
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A decrease of 4.1 mills is due to a reduction of bond levy millage by the Highland County Auditor.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2009, consisted of interfund, intergovernmental grants, and property taxes. All receivable amounts, except delinquent property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Intergovernmental receivables consisted of the following:

	Amount
<u>Governmental Activities:</u>	
Agricultural Education 5th Quarter Grant	\$3,600
Special Education Part B Idea Grant	7,135
Title I Targeted Assistance Grant	43,026
Title IVA Safe and Drug Free Schools Grant	1,353
Title VIB Rural Low Income Grant	2,280
Total Intergovernmental Receivable	\$57,394

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Deductions	Balance at 6/30/09
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$192,775	\$0	\$0	\$192,775
Capital Assets Being Depreciated:				
Land Improvements	785,819	10,000	0	795,819
Buildings and Building Improvements	18,725,549	2,599	0	18,728,148
Furniture, Fixtures and Equipment	1,630,117	8,265	(7,848)	1,630,534
Vehicles	916,056	23,776	0	939,832
Total Capital Assets Being Depreciated	22,057,541	44,640	(7,848)	22,094,333
Less Accumulated Depreciation:				
Land Improvements	(432,356)	(50,106)	0	(482,462)
Buildings and Building Improvements	(4,816,845)	(415,871)	0	(5,232,716)
Furniture, Fixtures and Equipment	(1,165,605)	(65,555)	7,848	(1,223,312)
Vehicles	(487,560)	(73,743)	0	(561,303)
Total Accumulated Depreciation	(6,902,366)	(605,275) *	7,848	(7,499,793)
Total Capital Assets Being Depreciated, Net	15,155,175	(560,635)	0	14,594,540
Governmental Activities Capital Assets, Net	\$15,347,950	(\$560,635)	\$0	\$14,787,315

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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\* **NOTE 7 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$200,098
Special	48,465
Vocational	10,131
Support Services:	
Pupils	10,649
Instructional Staff	54,834
Board of Education	15,197
Administration	27,713
Fiscal	15,238
Operation and Maintenance of Plant	40,531
Pupil Transportation	145,420
Operation of Non-Instructional Services	36,668
Extracurricular Activities	331
Total Depreciation Expense	<u><u>\$605,275</u></u>

**NOTE 8 - 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 2009, the School District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) 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 Schools of Ohio Risk Sharing Authority, Inc. Plan (SORSA), an insurance purchasing pool. Each individual school district enters into an agreement with the SORSA 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 SORSA.

The School District's vehicles are covered by SORSA under a business policy and hold a \$1,000 deductible for comprehensive and collision with a \$2,000,000 limit on any accident.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

The types and amounts of general liability coverage provided by SORSA are as follows:

General Liability:	
Aggregate Limit	\$4,000,000
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	2,000,000
Personal and Advertising Injury Limit - Each Offense	2,000,000
Medical Expense Limit - Per Person/Accident	5,000
Medical Expense Limit - Each Accident	5,000
Fire Damage Limit - Any One Event	500,000
Products - Completed Operations Limit	2,000,000
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	2,000,000
Educators' Legal Liability:	
Wrongful Acts Coverage Per Occurrence	2,000,000
Wrongful Acts Coverage Aggregate	2,000,000

Insurance coverage provided for property by the Ohio School Insurance Program holds a \$1,000 deductible with a \$23,554,907 limit on all losses. The School District pays its annual premium to SORSA.

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

**B. Workers' Compensation**

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the GRP.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

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

Until fiscal year 2008, the School District was a member of a claims servicing pool that provided medical/surgical coverage to employees through a self-insurance internal service fund. The School District paid monthly premiums to the fiscal agent, who in turn paid the claims on the School District's behalf. Vision and dental benefits are provided through a self-insurance program. The School District reviews and pays all claims for vision and dental provided by Medical Mutual. The information presented below represents the payout of medical/surgical claims after the school District left the claims servicing pool and an estimate of the vision and dental claims. The claims liability of \$11,715 reported in the Internal Service Fund at June 30, 2009, 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 Issues,"* which requires that a liability for unpaid claims 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
2008	\$52,927	\$345,175	\$351,269	\$46,833
2009	46,833	53,977	89,095	11,715

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$85,428, \$85,755, and \$94,107, respectively; 47.14 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2009, 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 2008, 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.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$403,386, \$397,525, and \$368,730, respectively; 82.72 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$207 made by the School District and \$3,728 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, 2009, all of the School Districts members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$57,758, \$53,593, and \$51,685, respectively; 47.14 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,048, \$6,179, and \$6,399, respectively; 47.14 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$31,030, \$30,579, and \$28,364, respectively; 82.72 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 11 - 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 10 to 25 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.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 182 days for non-certified union members, 200 days for teachers, and 240 days for administrators. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum payment of 55 days for teachers. Teachers who are at the 50 day maximum for severance, earn an extra five days of severance pay. 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 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/08	Additions	Deductions	Amount Outstanding 6/30/09	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
School Improvement Bonds					
1985 9.125%	\$75,000	\$0	\$75,000	\$0	\$0
School Improvement Bonds					
1998 5.4064%	595,000	0	30,000	565,000	35,000
Total General Obligation Bonds	670,000	0	105,000	565,000	35,000
<u>Other Long-Term Obligations:</u>					
Compensated Absences	213,548	63,634	81,791	195,391	61,283
Total Governmental Activities					
Long-Term Obligations	\$883,548	\$63,634	\$186,791	\$760,391	\$96,283

**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 23 year period with final maturity at December 1, 2008. The bonds were 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 23 year period with final maturity in 2021. The bonds will be paid from the Debt Service Fund.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

Compensated absences will be paid from the General, Title VI-B, Title I, and Food Service Funds.

The School District's overall legal debt margin was \$6,403,476 with an unvoted debt margin of \$70,572 at June 30, 2009.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2010	\$35,000	\$30,455	\$65,455
2011	35,000	28,425	63,425
2012	40,000	26,250	66,250
2013	40,000	23,930	63,930
2014	45,000	21,465	66,465
2015-2019	250,000	67,860	317,860
2020-2021	120,000	6,480	126,480
Total	\$565,000	\$204,865	\$769,865

**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

**South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$13,877 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 14 - INSURANCE PURCHASING 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. Schools of Ohio Risk Sharing Authority, Inc.**

The School District participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

**NOTE 15 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County School Benefits Consortium**

The Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright and Lynchburg-Clay) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Humana to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**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 acquisitions. Disclosure of this information is required by State statute.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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

	Textbooks and Instructional Materials	Capital Acquisitions	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2008	(\$185,887)	\$0	\$22,449
Current Fiscal Year Set-aside Requirement	127,343	127,343	0
Qualifying Disbursements	(143,095)	(182,893)	0
Totals	<u>(\$201,639)</u>	<u>(\$55,550)</u>	<u>\$22,449</u>
Set-aside Reserve Balance Carried Forward to Future Fiscal Years	<u>(\$201,639)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>

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 acquisitions, only the amount for the textbooks and instructional materials may be used to reduce the set-aside requirement of future fiscal years. The capital acquisitions negative amount is therefore not presented as being carried forward to the next fiscal year.

**NOTE 17 - INTERFUND ACTIVITY**

As of June 30, 2009, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	All Other
	<u>Governmental Funds</u>
Payable	
General Fund	<u>\$140,124</u>

The amount owed to the Classroom Facilities Construction Fund (All Other Governmental Funds) is the amount due for the local share of the construction project.

**NOTE 18 - ACCOUNTABILITY**

At June 30, 2009, the Title VIB, Title I, and Title IIA Nonmajor Special Revenue Funds had deficit fund balances of \$10,726, \$11,740 and \$4,848, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**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, 2009.

**B. Litigation**

The School District is not currently party to legal proceedings.

**Bright Local School District**  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05-PU	10.553	60,835	-	60,835	-
National School Lunch Program	LL-P4	10.555	133,715	16,049	133,715	16,049
Total United States Department of Agriculture			194,550	16,049	194,550	16,049
<b>United States Department of Education</b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	6B-SF	84.027	154,795	-	173,242	-
Special Education-Preschool Grant	PGS1	84.173	4,790	-	4,790	-
Total Special Education Cluster			159,585	-	178,032	-
Title I Grants to Local Educational Agencies	C1-S1	84.010	283,138	-	301,261	-
Safe & Drug Free Schools and Communities - State Grants	DR-S1	84.186	3,411	-	6,397	-
State Grants for Innovative Programs	C2-S1	84.298	584	-	584	-
Education Technology State Grants	TJ-S1	84.318	2,840	-	2,361	-
Rural Education Achievement Program	RU-S1	84.358	18,014	-	19,765	-
Improving Teacher Quality State Grants	TR-S1	84.367	73,747	-	70,133	-
Learn and Serve America Grant	SV-S1	94.004	18,124	-	16,612	-
Total United States Department of Education			559,443	-	595,145	-
<b>Total Federal Financial Assistance</b>			<b>\$753,993</b>	<b>\$16,049</b>	<b>\$789,695</b>	<b>\$16,049</b>

NA - Pass Through Entity Number is Not Available

See accompanying notes to the schedule of federal awards receipts and expenditures.

**Bright Local School District**  
Notes to the Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2009

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B -FOOD DONATION**

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 entitlement value of the commodities received.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards***

Members of the Board  
Bright Local School District  
44 North High Street  
Mowrystown, Ohio 45155

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Bright Local School District, Highland County (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 30, 2009. 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' *Governmental Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School 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 School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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 School 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 School 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 School District's internal control will not prevent or detect a material financial misstatement.

Our consideration of 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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We noted certain non-compliance or other matters that we reported to the School District in a separate letter dated December 30, 2009.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2009



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

Board of Education  
Bright Local School District  
44 North High Street  
Mowrystown, Ohio 45155

**Compliance**

We have audited the compliance of Bright Local School District, Highland County, Ohio (the School 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, 2009. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. The School District's management's 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 School 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 School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

**Internal Control Over Compliance**

The School 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 School 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 School District's internal control over compliance.

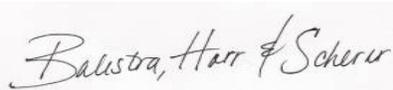
**Internal Control Over Compliance (Continued)**

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

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 for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 30, 2009

*Bright Local School District*  
Highland County  
June 30, 2009

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

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

*Bright Local School District*  
Highland County  
June 30, 2009

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

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

**None noted.**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None noted.**

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### Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Bright Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 20, 2008.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2009



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  
MARCH 9, 2010**