



**Auditor of State  
Betty Montgomery**



**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of *Governmental Accounting Standards Board Statement No. 34*, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, *GASB Statement No. 37*, Basic Financial Statements for State and Local Governments: Omnibus, *GASB Statement No. 38*, Certain Financial Statement Disclosures, *GASB Statement No. 39*, Determining Whether Certain Organizations are Component Units, *GASB Statement No. 41*, Budgetary Comparison Schedules – Perspective Differences, and *GASB Interpretation No. 6*, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Betty Montgomery**  
Auditor of State

June 17, 2005

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited**

As management of the Bright Local School District, Highland County, Ohio (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2004. The intent of this discussion is to look at the District's performance as a whole, and we encourage readers to consider the information presented here to enhance their understanding of the District's overall financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information in the first year of adoption of the new reporting model, the District has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

- The assets of the District exceeded its liabilities at June 30, 2004 by \$18,796,974.
- The District's net assets increased by \$47,857 during this year's operations.
- General revenues accounted for \$5,799,247 or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,438,178 or 20 percent of all revenues of \$7,237,425.
- The District had \$7,189,568 in expenses related to governmental activities; only \$1,438,178 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

**Using the Basic Financial Statements**

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

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

**Reporting the School District as a Whole**

The analysis of the 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 District's financial position, as a whole, has improved or diminished. However, the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

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

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

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

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

**The School District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for fiscal years ended 2004 and 2003.

Table 1  
Net Assets  
Governmental Activities

	2004	2003
<b>Assets</b>		
Current and Other Assets	\$5,112,861	\$4,311,782
Capital Assets	17,370,022	17,945,115
Total Assets	22,482,883	22,256,897
<b>Liabilities</b>		
Long-Term Liabilities	1,252,791	1,367,785
Other Liabilities	2,433,118	2,139,995
Total Liabilities	3,685,909	3,507,780
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	16,275,596	16,742,177
Restricted	1,447,265	1,303,511
Unrestricted	1,074,113	703,429
Total Net Assets	\$18,796,974	\$18,749,117

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

Total assets increased by \$225,986. The increase in cash and cash equivalents was the result of an increase in federal and State grants. These amounts were more than enough to offset the decrease in capital assets as a result of depreciation of \$679,848. Restricted assets increased mainly due to revenues exceeding expenditures and the additional grant dollars received. Unrestricted assets increased due to decreased expenditures and additional state foundation monies received during the year.

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

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

Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

Table 2  
Change in Net Assets

	<u>Governmental Activities 2004</u>
<b>Revenues</b>	
Program Revenues:	
Charges for Services and Sales	\$377,010
Operating Grants, Contributions and Interest	1,042,193
Capital Grants and Contributions	18,975
Total Program Revenues	<u>1,438,178</u>
General Revenues:	
Property Taxes	1,426,373
Grants and Entitlements not Restricted to Specific Programs	4,302,202
Investment Earnings	27,205
Miscellaneous	43,467
Total General Revenues	<u>5,799,247</u>
 Total Revenues	 <u>\$7,237,425</u>
 <b>Program Expenses</b>	
Instruction:	
Regular	3,093,554
Special	596,699
Vocational	157,572
Support Services:	
Pupils	296,604
Instructional Staff	439,970
Board of Education	63,759
Administration	447,435
Fiscal	268,898
Business	1,229
Operation and Maintenance of Plant	583,916
Pupil Transportation	787,290
Operation of Non-Instructional Services:	
Food Services	273,788
Other	4,491
Extracurricular Activities	97,147
Interest and Fiscal Charges	77,216
Total Expenses	<u>7,189,568</u>
Increase in Net Assets	<u>\$47,857</u>

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

**Governmental Activities**

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

Table 3  
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$3,847,825	\$3,005,342
Support Services	2,889,101	2,582,308
Operation of Non- Instructional Services	278,279	16,936
Extracurricular Activities	97,147	69,588
Interest and Fiscal Charges	77,216	77,216
Total Expenses	<u>\$7,189,568</u>	<u>\$5,751,390</u>

**The School District's Funds**

Information about the District's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,106,792 and expenditures of \$6,585,413. The net change in fund balance was most significant in the General Fund, an increase of \$515,893. This was caused primarily by a \$324,000 increase in state foundation monies compounded with decreased expenditures for the year.

The net change in fund balance in the Debt Service Fund of \$132,663 was due to property tax receipts exceeding debt payments for the fiscal year.

The Classroom Facilities Construction Fund saw a decrease in fund balance this year mainly due to finalizing the project and expending most of the money left in the fund.

**General Fund – Budget Highlights**

The District's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements and encumbrances. The District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated cash balance was \$511,599 above the final budgeted amount for the General Fund.

For the General Fund, budget basis revenue was \$5,798,841, with original budget estimates of \$5,941,484.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The District's investment in capital assets as of June 30, 2004 was \$17,370,022. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

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

	2004	2003
Land	\$192,775	\$192,775
Land Improvements	\$516,195	\$541,709
Buildings and Improvements	15,602,446	16,054,944
Furniture and Equipment	803,580	904,578
Vehicles	255,026	251,109
<b>Totals</b>	<b>\$17,370,022</b>	<b>\$17,945,115</b>

Net capital assets decreased by \$575,093 from the prior year. This is due to an increase in accumulated depreciation of \$679,848, offset by additions of capital assets of \$110,035 and net deductions of \$5,280.

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

**Debt**

At June 30, 2004, the District had \$1,085,000 in bonds outstanding, \$100,000 due within one year. Table 5 summarizes the bonds outstanding at year-end.

Table 5  
Outstanding Debt, at Year End  
Governmental Activities

	2004	2003
General Obligation Bonds:		
1985 School Improvement Bonds	\$375,000	\$450,000
General Obligation Bonds:		
1998 School Improvement Bonds	710,000	735,000
<b>Totals</b>	<b>\$1,085,000</b>	<b>\$1,185,000</b>

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

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

The District's overall legal debt margin was \$5,201,410 with an unvoted debt margin of \$59,226 at June 30, 2004.

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

**Financial Issues/Concerns**

On March 15, 2003, the Ohio Department of Education placed Bright Local School District in Fiscal Caution. At June 30, 2004, the District was still in Fiscal Caution status although we had made great progress toward financial stability. Mostly through attrition, we were able to reduce staffing and realign duties to realize significant savings. Additionally, union negotiations were settled with little or no salary increases.

The District was released from Fiscal Caution in February 2005.

A major concern for the District is the rising cost of health insurance and excessive claims we have been experiencing. Bright Local is in a consortium of school districts to purchase fleet insurance benefits at a group rate. Bright Local is also in a risk sharing pool with other school districts for health insurance. We have accumulated a deficit balance due to excessive claims prior to and including fiscal year 2004. In fiscal year 2003, the District switched to a PPO type health insurance away from the expensive traditional plan. The Consortium is continually looking at possibilities for cost savings in plan design to offset the rising costs. These costs pose a serious threat to the fiscal well being of Bright Local School District.

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

Other factors include the increasing costs of purchased services. This is due in part to the new facilities that the District secured through the Ohio School Facilities Commission in fiscal year 2001. Increased maintenance costs of the new facilities, has also created additional expenses.

The District decided to offer all day, every day kindergarten beginning in fiscal year 2004. Factors that influenced the decision were our Academic Watch status, poor student performance on state tests and the unpreparedness of the children entering school. We were able to fund this program through title grant monies. It will take up to four years to realize the results of this decision.

In fiscal year 2004, District personnel began aggressively pursuing grant funding. We received over \$80,000 in additional grant funding for fiscal year 2004, and were successful in securing even more for the next fiscal year. We were also awarded a handicapped preschool unit to begin in fiscal year 2005.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
Unaudited  
(Continued)**

**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 District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Blinda Boothby, Treasurer, at Bright Local School District, P.O. Box 9, Mowrystown, Ohio 45155.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,504,129
Materials and Supplies Inventory	1,109
Intergovernmental Receivable	219,077
Taxes Receivable	1,388,546
Capital Assets:	
Land and Construction in Progress	192,775
Depreciable Capital Assets, Net	17,177,247
<b>Total Assets</b>	<b>22,482,883</b>
<b>Liabilities</b>	
Accounts Payable	14,232
Accrued Wages and Benefits	443,792
Intergovernmental Payable	668,070
Deferred Revenue	1,183,522
Matured Compensated Absences Payable	13,155
Accrued Interest Payable	6,048
Claims Payable	104,299
Long-Term Liabilities:	
Due Within One Year	117,113
Due in More Than One Year	1,135,678
<b>Total Liabilities</b>	<b>3,685,909</b>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	16,275,596
Restricted for:	
Capital Projects	36,338
Debt Service	961,609
Set-Asides	22,449
Other Purposes	426,869
Unrestricted	1,074,113
<b>Total Net Assets</b>	<b>\$18,796,974</b>

*See accompanying notes to the basic financial statements*

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Program Revenues	
	Charges for Services and Sales	Operating Grants Contributions and Interest
Expenses		
<b><u>Governmental Activities:</u></b>		
Instruction:		
Regular	\$3,093,554	\$205,945
Special	596,699	0
Vocational	157,572	0
Support Services:		
Pupils	296,604	17,763
Instructional Staff	439,970	785
Board of Education	63,759	0
Administration	447,435	0
Fiscal	268,898	0
Business	1,229	0
Operation and Maintenance of Plant	583,916	299
Pupil Transportation	787,290	0
Operation of Non-Instructional Services:		
Food Services	273,788	125,359
Other	4,491	0
Extracurricular Activities	97,147	26,859
Interest and Fiscal Charges	77,216	0
<b>Total Governmental Activities</b>	<b><u>\$7,189,568</u></b>	<b><u>\$377,010</u></b>

General Revenues:  
Property Taxes Levied for:  
    General Purposes  
    Debt Service  
    Capital Outlay  
Grants and Entitlements not  
    Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

*See accompanying notes to the basic financial statements*

Capital Grants and Contributions	Net(Expense) Revenue and Changes in Net Assets  Governmental Activities
\$18,975	(\$2,663,212)
0	(229,154)
0	(112,976)
0	(273,416)
0	(162,670)
0	(63,759)
0	(447,435)
0	(268,898)
0	(1,229)
0	(583,617)
0	(781,284)
0	(19,672)
0	2,736
0	(69,588)
0	(77,216)
\$18,975	(5,751,390)

1,126,788
273,540
26,045
4,302,202
27,205
43,467
5,799,247
47,857
18,749,117
\$18,796,974

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	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	\$1,798,433	\$931,536	\$151,740	\$316,179	\$3,197,888
Materials and Supplies Inventory	0	0	0	1,109	1,109
Interfund Receivable	49,619	0	160,200	0	209,819
Intergovernmental Receivable	0	0	0	219,077	219,077
Property Taxes Receivable	1,195,023	165,209	0	28,314	1,388,546
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	22,449	0	0	0	22,449
<b>Total Assets</b>	<b>\$3,065,524</b>	<b>\$1,096,745</b>	<b>\$311,940</b>	<b>\$564,679</b>	<b>\$5,038,888</b>
<b>Liabilities</b>					
Accounts Payable	\$13,145	\$0	\$0	\$1,087	\$14,232
Accrued Wages and Benefits	403,077	0	0	40,715	443,792
Matured Compensated Absences Payable	13,123	0	0	32	13,155
Interfund Payable	160,200	0	20,076	29,543	209,819
Intergovernmental Payable	78,847	0	274,353	7,248	360,448
Deferred Revenue	1,085,513	140,632	0	167,476	1,393,621
<b>Total Liabilities</b>	<b>1,753,905</b>	<b>140,632</b>	<b>294,429</b>	<b>246,101</b>	<b>2,435,067</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	155,818	335	0	91,299	247,452
Reserved for Property Taxes	109,510	24,577	0	2,558	136,645
Reserved for Budget Stabilization	22,449	0	0	0	22,449
Unreserved:					
Undesignated, Reported in:					
General Fund	1,023,842	0	0	0	1,023,842
Special Revenue Funds	0	0	0	205,894	205,894
Debt Service Fund	0	931,201	0	0	931,201
Capital Projects Funds	0	0	17,511	18,827	36,338
<b>Total Fund Balances</b>	<b>1,311,619</b>	<b>956,113</b>	<b>17,511</b>	<b>318,578</b>	<b>2,603,821</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,065,524</b>	<b>\$1,096,745</b>	<b>\$311,940</b>	<b>\$564,679</b>	<b>\$5,038,888</b>

See accompanying notes to the basic financial statements

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**RECONCILIATION TO TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

**Total Governmental Fund Balances** \$2,603,821

**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	21,931,624	
Accumulated depreciation	<u>(4,754,377)</u>	
Total captital assets		17,370,022

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	68,379	
Intergovernmental	<u>141,720</u>	
		210,099

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 (70,191)

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds. (57,938)

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	(1,085,000)	
Accrued interest on bonds	(6,048)	
Capital leases	(9,426)	
Compensated absences	<u>(158,365)</u>	
		<u>(1,258,839)</u>

**Net Assets of Governmental Activities** **\$18,796,974**

*See accompanying notes to the basic financial statements*

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General Fund	Debt Service Fund	Classroom Facilities Construction Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,131,100	\$280,143	\$0	\$26,217	\$1,437,460
Intergovernmental	4,454,128	37,883	0	727,784	5,219,795
Interest	25,306	0	1,237	662	27,205
Tuition and Fees	202,833	0	0	0	202,833
Rent	299	0	0	0	299
Extracurricular Activities	0	0	0	37,245	37,245
Gifts and Donations	1,777	0	0	78	1,855
Customer Sales and Services	0	0	0	127,514	127,514
Miscellaneous	43,467	0	0	9,119	52,586
<b>Total Revenues</b>	<b>5,858,910</b>	<b>318,026</b>	<b>1,237</b>	<b>928,619</b>	<b>7,106,792</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	2,449,727	0	114,073	196,270	2,760,070
Special	339,660	0	27,435	162,861	529,956
Vocational	136,821	0	5,776	0	142,597
Support Services:					
Pupils	250,533	0	5,776	25,376	281,685
Instructional Staff	159,449	0	16,461	228,133	404,043
Board of Education	35,707	0	8,664	0	44,371
Administration	396,207	0	14,440	537	411,184
Fiscal	229,420	8,813	8,664	1,255	248,152
Business	1,229	0	0	0	1,229
Operation and Maintenance of Plant	463,523	0	20,215	57,255	540,993
Pupil Transportation	642,913	0	40,431	344	683,688
Operation of Non-Instructional Services:					
Food Services	0	0	12,418	216,822	229,240
Other	291	0	0	33,951	34,242
Extracurricular Activities	67,081	0	0	0	67,081
Capital Outlay	20,693	0	0	0	20,693
Debt Service					
Principal Retirement	8,512	100,000	0	0	108,512
Interest and Fiscal Charges	1,127	76,550	0	0	77,677
<b>Total Expenditures</b>	<b>5,202,893</b>	<b>185,363</b>	<b>274,353</b>	<b>922,804</b>	<b>6,585,413</b>
Excess of Revenues Over (Under) Expenditures	656,017	132,663	(273,116)	5,815	521,379
<b>Other Financing Sources (Uses)</b>					
Transfers In	20,076	0	160,200	0	180,276
Transfers Out	(160,200)	0	(20,076)	0	(180,276)
<b>Total Other Financing Sources (Uses)</b>	<b>(140,124)</b>	<b>0</b>	<b>140,124</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balances	515,893	132,663	(132,992)	5,815	521,379
Fund Balance at Beginning of Year - Restated (Note 3)	795,726	823,450	150,503	312,763	2,082,442
<b>Fund Balance at End of Year</b>	<b>\$1,311,619</b>	<b>\$956,113</b>	<b>\$17,511</b>	<b>\$318,578</b>	<b>\$2,603,821</b>

See accompanying notes to the basic financial statements

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**RECONCILIATION TO THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$521,379

**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	110,035	
Depreciation expense	<u>(679,848)</u>	
Excess of capital outlay under depreciation expense		(569,813)

Governmental funds only report the disposal on capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale.

Loss on Disposal of Assets		(5,280)
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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	(11,087)	
Intergovernmental	<u>141,720</u>	
		130,633

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

(136,964)

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

Bond payments	100,000	
Capital lease payments	<u>8,512</u>	
Total long-term debt repayment		108,512

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	6,482	
Decrease in accrued interest payable	461	
Increase in intergovernmental payable	<u>(7,553)</u>	
Total (increase)/decrease		<u>(610)</u>

**Change in Net Assets of Governmental Activities**

**\$47,857**

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$1,157,070	\$1,087,453	\$1,106,784	\$19,331
Intergovernmental	4,707,332	4,775,827	4,454,128	(321,699)
Interest	29,771	30,204	25,306	(4,898)
Tuition and Fees	47,312	48,000	202,833	154,833
Rent	0	0	299	299
Gifts and Donations	0	0	1,777	1,777
Miscellaneous	0	0	7,714	7,714
<b>Total Revenues</b>	<b>5,941,484</b>	<b>5,941,484</b>	<b>5,798,841</b>	<b>(142,643)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,387,055	2,452,526	2,134,993	317,533
Special	415,696	427,097	347,368	79,729
Vocational	140,604	144,460	149,367	(4,907)
Other	321,079	329,885	326,274	3,611
Support Services:				
Pupils	227,093	233,322	250,731	(17,409)
Instructional Staff	196,683	202,077	171,315	30,762
Board of Education	60,570	62,231	42,687	19,544
Administration	446,645	458,895	406,791	52,104
Fiscal	222,250	228,346	240,408	(12,062)
Business	0	0	1,229	(1,229)
Operation and Maintenance of Plant	652,749	670,652	487,576	183,076
Pupil Transportation	586,783	602,877	722,487	(119,610)
Operation of Non-Instructional Services:				
Other	26	27	291	(264)
Extracurricular Activities	59,189	60,812	67,906	(7,094)
Capital Outlay	141,072	144,941	20,693	124,248
<b>Total Expenditures</b>	<b>5,857,492</b>	<b>6,018,148</b>	<b>5,370,116</b>	<b>648,032</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>83,992</b>	<b>(76,664)</b>	<b>428,725</b>	<b>505,389</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	6,205	6,205
Refund of Prior Year Expenditures	0	0	29,548	29,548
Advances In	50,000	50,000	0	(50,000)
Advances Out	(50,000)	(50,000)	(29,543)	20,457
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>6,210</b>	<b>6,210</b>
<b>Net Change in Fund Balance</b>	<b>83,992</b>	<b>(76,664)</b>	<b>434,935</b>	<b>511,599</b>
Fund Balance Beginning of Year	1,059,885	1,059,885	1,059,885	0
Prior Year Encumbrances Appropriated	160,656	160,656	160,656	0
<b>Fund Balance End of Year</b>	<b>\$1,304,533</b>	<b>\$1,143,877</b>	<b>\$1,655,476</b>	<b>\$511,599</b>

See accompanying notes to the basic financial statements

BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY

STATEMENT OF FUND NET ASSETS  
INTERNAL SERVICE FUND  
JUNE 30, 2004

	<u>Self-Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$283,792</u>
<b>Liabilities</b>	
Intergovernmental Payable	249,684
Claims Payable	<u>104,299</u>
Total Liabilities	<u>353,983</u>
<b>Net Assets</b>	
Unrestricted (Deficit)	<u><u>(\$70,191)</u></u>

*See accompanying notes to the basic financial statements*

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Self-Insurance</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$800,159</u>
<b>Operating Expenses</b>	
Purchased Services	68,260
Claims	<u>868,863</u>
Total Operating Expenses	<u>937,123</u>
Change in Net Assets	(136,964)
Net Assets at Beginning of Year	<u>66,773</u>
Net Assets (Deficit) at End of Year	<u><u>(\$70,191)</u></u>

*See accompanying notes to the basic financial statements*

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Self-Insurance
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$800,159
Cash Payments to Suppliers for Goods and Services	(68,260)
Cash Payments for Claims	(834,463)
Net Cash Used for Operating Activities	(102,564)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Repayment of Short-Term Borrowing from Other Governments	(221,653)
Short-Term Borrowing from Other Governments	249,684
Net Cash Provided by Noncapital Financing Activities	28,031
Net Decrease in Cash and Cash Equivalents	(74,533)
Cash and Cash Equivalents at Beginning of Year	358,325
Cash and Cash Equivalents at End of Year	\$283,792
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	(\$136,964)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Increase in Claims Payable	34,400
Net Cash Used for Operating Activities	(\$102,564)

*See accompanying notes to the general purpose financial statements*

BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$22,244</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$22,244</u>

*See accompanying notes to the basic financial statements*

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District was established in 1968 through the consolidation of existing land areas and school districts. The District serves an area of 128 square miles. It is located in Highland County, including all of the Village of Mowrystown, and portions of surrounding townships. The Board of Education controls the District's two instructional support facilities staffed by 36 non-certified and 57 teaching personnel and administrative employees providing education to 841 students.

**Reporting Entity**

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

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

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bright Local 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 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 District's accounting policies are described below.

**A. Basis of Presentation**

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

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The 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 District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the 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 District's major governmental funds:

*General Fund* - The General Fund is the operating fund of the 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 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 District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

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

Proprietary Funds

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 District has no enterprise funds.

Internal Service Fund - The Internal Service Fund is used to account for the medical, surgical, vision, and dental benefits provided to employees.

Fiduciary Funds

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

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 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 District finances and meets the cash flow needs of its proprietary activities.

**D. Basis of Accounting**

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

Revenues - Exchange and Non exchange Transactions

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available 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, 2004, but which were levied to finance fiscal year 2005 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

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.

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2004, the District's investments were limited to repurchase agreements which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$27,205, which includes \$13,885 from other District funds.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 District are presented on the financial statements as cash and cash equivalents.

**F. Inventory**

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

**G. Restricted Assets**

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

**H. Capital Assets**

All capital assets of the 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) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not 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

**I. Interfund Balances**

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences**

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

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions 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 year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

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

**L. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund, and are eliminated on the Statement of Activities. 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  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

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

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 2004. The reserve for budget stabilization is money required by State statute to be set aside to protect against cyclical changes in revenues and expenditures.

**O. Estimates**

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

**P. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2004, the District has implemented *GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, *GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"*, *GASB Statement No. 38, "Certain Financial Statement Note Disclosures"*, *GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units"*, *GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences"*, and *GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."*

*GASB Statement No. 34* creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

*GASB Statement No. 37* clarifies certain provisions of *GASB Statement No. 34*, including the required content of the Management's Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

*GASB Statement No. 38* modifies, establishes and rescinds certain financial statement note disclosure.

*GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."* This Statement further defines the guidelines of *GASB Statement No. 14, "The Financial Reporting Entity."* The implementation of this new statement had no effect on the District's financial statements for fiscal year 2004.

*GASB Statement No. 41* only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement had no effect on the presentation of the budgetary statement by the District for fiscal year 2004.

*GASB Interpretation No. 6* clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The restatements for *GASB Statement No. 34* and *GASB Interpretation No. 6* had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The implementation of these statements and the reclassification of the Food Service Fund and Uniform School Supply Fund from an Enterprise Fund to Special Revenue Fund had the following effect on the fund balances of major and nonmajor funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES  
(Continued)**

	General	Debt Service	Classroom Facilities Construction	Nonmajor	Total
Fund Balances, June 30, 2003	\$788,739	\$823,450	\$150,503	\$244,210	\$2,006,902
<i>Interpretation No. 6</i> Adjustments	6,987	0	0	0	6,987
Fund Reclassifications	0	0	0	68,553	68,553
Adjusted Fund Balance, June 30, 2003:	<u>\$795,726</u>	<u>\$823,450</u>	<u>\$150,503</u>	<u>\$312,763</u>	2,082,442
<i>GASB No. 34</i> Adjustments:					
Deferred Assets:					
Delinquent Property Taxes					79,466
Capital Assets					17,945,115
Intergovernmental Payable					(50,385)
Accrued Interest Payable					(6,509)
Long-Term Liabilities:					
Bonds Payable					(1,185,000)
Capital Leases Payable					(17,938)
Compensated Absences					(164,847)
Internal Service					66,773
Governmental Activities Net Assets, June 30, 2003					<u>\$18,749,117</u>

	Food Service Enterprise Fund
Fund Equity, June 30, 2003	\$68,553
Fund Reclassification	<u>(68,553)</u>
Restated Fund Equity, June 30, 2003	<u>\$0</u>

**4. BUDGETARY BASIS OF ACCOUNTING**

While the 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. 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).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$515,893
Adjustments:	
Revenue Accruals	(24,316)
Expenditure Accruals	(1,817)
Encumbrances	(165,406)
Transfers	140,124
Advances	(29,543)
Budget Basis	\$434,935

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

*Deposits:* At fiscal year-end, the carrying amount of the District's deposits was \$1,963,640 and the bank balance was \$2,183,695. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,083,695 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

	Category 3	Fair Value
Repurchase Agreements	\$1,562,733	\$1,562,733

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,526,373	\$0
Investment:		
Repurchase Agreements	(1,562,733)	1,562,733
GASB Statement No. 3	\$1,963,640	\$1,562,733

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Highland and Adams Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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.

The amount available as an advance at June 30, 2004, was \$109,510 in the General Fund, \$24,577 in the Debt Service Fund, and \$2,558 in the Classroom Facilities Non-Major Special Revenue Fund. The amount available as an advance at June 30, 2003, was \$85,194 in the General Fund, \$27,626 in the Debt Service Fund, and \$2,126 in the Classroom Facilities Non-Major Special Revenue Fund.

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

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,219,680	89.53%	\$53,477,260	90.29%
Public Utility	4,817,020	8.94%	5,113,030	8.63%
Tangible Personal Property	825,880	1.53%	635,228	1.08%
Total Assessed Value	<u>\$53,862,580</u>	<u>100.00%</u>	<u>\$59,225,518</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$38.49		 \$36.49	

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2004, consisted of interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year fiscal guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Food Service - Federal Lunchroom Reimbursement	\$22,644
Title VI-B Idea Grant	29,543
Title IV Safe/Drug Free Schools Grant	2,705
Title I Grant	94,014
Title II-A Improving Teacher Quality Grant	2,546
Comprehensive School Reform Grant	54,427
Student Reading Intervention Grant	13,198
Total Intergovernmental Receivable	\$219,077

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, were as follows:

	Restated Balance at 6/30/03	Additions	Deductions	Balance at 6/30/04
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$192,775	\$0	\$0	\$192,775
Capital Assets Being Depreciated:				
Land Improvements	735,781	20,500	0	756,281
Buildings and Building Improvements	18,722,699	0	0	18,722,699
Furniture, Fixtures and Equipment	1,628,510	33,215	(21,163)	1,640,562
Vehicles	755,762	56,320	0	812,082
Total Capital Assets Being Depreciated	21,842,752	110,035	(21,163)	21,931,624
Less Accumulated Depreciation:				
Land Improvements	(194,072)	(46,014)	0	(240,086)
Buildings and Building Improvements	(2,667,755)	(452,498)	0	(3,120,253)
Furniture, Fixtures and Equipment	(723,932)	(128,933)	15,883	(836,982)
Vehicles	(504,653)	(52,403)	0	(557,056)
Total Accumulated Depreciation	(4,090,412)	(679,848) *	15,883	(4,754,377)
Total Capital Assets Being Depreciated, Net	17,752,340	(569,813)	(5,280)	17,177,247
Governmental Activities Capital Assets, Net	\$17,945,115	(\$569,813)	(\$5,280)	\$17,370,022

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

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

Instruction:	
Regular	\$260,264
Special	55,281
Vocational	11,541
Support Services:	
Pupils	11,812
Instructional Staff	59,125
Board of Education	17,312
Administration	28,853
Fiscal	17,731
Operation and Maintenance of Plant	41,965
Pupil Transportation	136,098
Operation of Non-Instructional Services	39,699
Extracurricular Activities	167
Total Depreciation Expense	\$679,848

The State of Ohio has an "interest" in the new school buildings until final payments are made to the Ohio School Facilities Commission.

**9. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with the Ohio School Plan for general liability insurance and with the Ohio School Insurance Program for property insurance.

The District's vehicles are covered by the Auto-Owners Insurance Company under a business policy and holds a \$500 deductible for comprehensive and collision with a \$1,000,000 limit on any accident. Vehicles are also covered under the commercial umbrella policy.

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

**B. Ohio School Plan**

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

**BRIGHT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

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

The District participates in the Ohio School Plan (OSP) and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays its annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina. Insurance coverage provided for property holds a \$1,000 deductible with a \$23,475,237 limit on all losses.

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

**C. Workers Compensation**

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year the District pays an enrollment fee to the GRP to cover costs of administering the program.

**BRIGHT LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

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

Medical, vision and dental insurance is offered to employees through a self-insurance internal service fund. Mutual Health Services administers claims for the vision plan, Professional Risk Management administers the claims for the dental plans and Klais and Company administers the medical plans. The claims liability of \$104,299 reported in the Internal Service Fund at June 30, 2004, is based on an estimate provided by the third party administrators and the requirements of *GASB Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issue,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$100,731	\$714,376	\$745,208	\$69,899
2004	\$69,899	\$868,863	\$834,463	\$104,299

**10. PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$72,478, \$76,698, and \$53,670, respectively; 52.69 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. PENSION PLANS (Continued)**

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 20, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$290,812, \$318,248, and \$237,755, respectively; 85.24 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$5,449 made by the District and \$5,224 made by the plan members.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, all of the District's members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$22,370 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$51,352.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life and Accident Insurance**

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

**13. CAPITALIZED LEASES – LESSEE DISCLOSURE**

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

Capital assets acquired by lease have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$53,758 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2004 totaled \$8,512.

The assets acquired through capital leases are as follows:

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)**

	Governmental Activities
Asset:	
Copiers	\$34,423
Less: Accumulated Depreciation	(26,122)
Totals	\$8,301

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

Fiscal Year Ending June 30,	Total Payments
2005	\$6,059
2006	4,041
Total	10,100
Less: Amount Representing Interest	(674)
Present Value of Net Minimum Lease Payments	\$9,426

**14. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03 Restated	Additions	Deductions	Amount Outstanding 6/30/04	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
School Improvement Bonds					
1985 9.125%	\$450,000	\$0	\$75,000	\$375,000	\$75,000
School Improvement Bonds					
1998 5.4064%	735,000	0	25,000	710,000	25,000
Total General Obligation Bonds	1,185,000	0	100,000	1,085,000	100,000
<u>Other Long-Term Obligations:</u>					
Compensated Absences	164,847	18,537	25,019	158,365	11,609
Capital Leases	17,938	0	8,512	9,426	5,504
Total Governmental Activities	\$1,367,785	\$18,537	\$133,531	\$1,252,791	\$117,113
Long-Term Obligations					

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

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

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

The District's overall legal debt margin was \$5,201,410 with an unvoted debt margin of \$59,226 at June 30, 2004.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$100,000	\$68,781	\$168,781
2006	105,000	60,471	165,471
2007	105,000	52,217	157,217
2008	105,000	43,934	148,934
2009	105,000	35,627	140,627
2010-2014	195,000	130,525	325,525
2015-2019	250,000	67,860	317,860
2020-2021	120,000	6,480	126,480
Total	<u>\$1,085,000</u>	<u>\$465,895</u>	<u>\$1,550,895</u>

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The 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 District paid SCOCA \$80,510 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

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

**16. INSURANCE PURCHASING AND CLAIMS SERVICING POOLS**

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

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

**B. Ohio School Plan**

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. INSURANCE PURCHASING AND CLAIMS SERVICING POOLS (Continued)**

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

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

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

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

The 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 year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	(\$207,089)	\$0	\$22,449
Current Year Set-aside Requirement	119,104	119,104	0
Current Year Offsets	0	(25,881)	0
Qualifying Disbursements	(86,420)	(186,259)	0
Totals	<u>(174,405)</u>	<u>(93,036)</u>	<u>22,449</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$174,405)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**18. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

**19. INTERFUND ACTIVITY**

**A. Interfund Transfers**

Transfers made during the year ended June 30, 2003, were as follows:

Transfer To	General	Transfer From	Total
	Fund	Classroom Facilities Construction Fund	
General Fund	\$0	\$20,076	\$20,076
Classroom Facilities Construction Fund	160,200	0	160,200
Total	<u>\$160,200</u>	<u>\$20,076</u>	<u>\$180,276</u>

During 2004, the District was notified by the Ohio School Facilities Commission that they had not made required transfers and reimbursements related to their construction project. The District is currently negotiating the terms of these requirements with the Ohio School Facilities Commission. Therefore, on a GAAP basis, the District recognized a transfer to the General Fund from the Classroom Facilities Capital Projects Fund, which was reimbursement for construction expenses made by the General Fund. In addition the District recognized a transfer from to the Classroom Facilities Capital Projects Fund from the General Fund, which represents the local share of a budget increase related to the Ohio School Facilities Commission construction project.

**B. Interfund Receivables/Payables**

As of June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

Payable	Receivable	
	General Fund	Classroom Facilities Construction Fund
General Fund	\$0	\$160,200
Classroom Facilities Construction Fund	49,619	0
Total All Funds	<u>\$49,619</u>	<u>\$160,200</u>

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**19. INTERFUND ACTIVITY (Continued)**

A portion of the amount due to the General Fund is the result of the District moving unrestricted balances to support programs and projects accounted for in the other funds. This amount equals \$29,543. The remaining \$20,076 is the amount owed to the General Fund from the Classroom Facilities Capital Projects Fund related to Ohio School Facilities Commission construction project. The amount owed to the Classroom Facilities Construction Fund is the amount due to the Classroom Facilities Capital Projects Fund for the local share of the construction project.

**20. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2003.

**B. Litigation**

The District is not party to any legal proceedings.

**21. SUBSEQUENT EVENTS**

The District was removed from Fiscal Caution in February 2005.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$22,227	\$0	\$22,227
National School Breakfast Program	05PU-2004	10.553	23,033	0	23,033	0
	05PU-2003					
National School Lunch Program	LLP4-2004	10.555	68,137	0	68,137	0
	LLP4-2003					
Total U.S. Department of Agriculture-Nutrition Cluster			<u>91,170</u>	<u>22,227</u>	<u>91,170</u>	<u>22,227</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Preschool Grant	PG-S1-2004	84.173	1,977	0	1,977	0
Special Education Grants to States (Title VI B)	6B-SF-2004	84.027	79,618	0	103,675	0
	6B-SF-2003	84.027	0	0	7,118	0
Total Title VI B			<u>79,618</u>	<u>0</u>	<u>110,793</u>	<u>0</u>
Total Special Education Cluster			<u>81,595</u>	<u>0</u>	<u>112,770</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2004	84.010	177,319	0	167,124	0
	C1-S1-2003	84.010	0	0	52,606	0
Total ESEA Title 1			<u>177,319</u>	<u>0</u>	<u>219,730</u>	<u>0</u>
Safe/Drug Free School Grant (Title IV)	DR-S1-2004	84.186	3,866	0	566	0
	DR-S1-2003	84.186	0	0	5,540	0
Total Drug Free Schools			<u>3,866</u>	<u>0</u>	<u>6,106</u>	<u>0</u>
Total Innovative Educational Program Strategies	C2-S1-2004	84.298	<u>4,616</u>	<u>0</u>	<u>4,616</u>	<u>0</u>
Total Technology Literacy Challenge Grant Fund	TJ-S1-2004	84.318	<u>7,344</u>	<u>0</u>	<u>3,600</u>	<u>0</u>
Total Comprehensive School Reform Demonstration	RF-S2-2003	84.332	<u>35,573</u>	<u>0</u>	<u>79,855</u>	<u>0</u>
Total School Renovation	AT-S3-2002	84.352	<u>0</u>	<u>0</u>	<u>38</u>	<u>0</u>
Total Department of Education			<u>310,313</u>	<u>0</u>	<u>426,715</u>	<u>0</u>
Total Rural Education Achievement Program	RU-S1-2004	84.358	<u>21,977</u>	<u>0</u>	<u>21,977</u>	<u>0</u>
Total Title IIA Highly Qualified Teachers	TR-S1-2004	84.367	<u>68,836</u>	<u>0</u>	<u>76,070</u>	<u>0</u>
<b>TOTALS</b>			<u><b>\$492,296</b></u>	<u><b>\$22,227</b></u>	<u><b>\$615,932</b></u>	<u><b>\$22,227</b></u>

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

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

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



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 17, 2005, which indicated that the District had implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, GASB Statement No. 37, GASB Statement No. 38, GASB Statement No. 39, GASB Statement No. 41 and GASB Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 17, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

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

Bright Local School District  
Highland County  
Independent Accountants' Report on Internal Control Over  
Over Financial Reporting and On Compliance and Other  
Matters Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

June 17, 2005



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Bright Local School District, Highland County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Bright Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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

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

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

**Betty Montgomery**  
Auditor of State

June 17, 2005

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

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

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

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

None.

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

None.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 7, 2005**