



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the Bright Local School District, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 10, 2014

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**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash 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, 2013, and the respective changes in modified cash financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 19 to the financial statements, during 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, change in net position, governmental activities, capital assets and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are/is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 3, 2013

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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As management of the Bright Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The intent of this discussion is to look at the School District's performance as a whole, and we encourage readers to consider the information presented here to enhance their understanding of the School District's overall financial performance.

**Financial Highlights**

- The assets of the Bright Local School District exceeded its liabilities at June 30, 2013 by \$14,932,466.
- The School District's net position decreased \$566,747 during this fiscal year's operations.
- General receipts accounted for \$6,574,488 or 79 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, and contributions accounted for \$1,743,706 or 21 percent of all receipts of \$8,318,194.
- The School District had \$8,884,941 in disbursements related to governmental activities; only \$1,743,706 of these disbursements were offset by program specific charges for services and sales, grants, and contributions.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

*Report Components*

The Statement of Net Position and the Statement of Activities provide information about the School District's modified cash activities as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

*Basis of Accounting*

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. As more fully described in Note 2 to the basic financial statements, the School District does record capital assets, long-term debt and depreciation in the government-wide financial statements. Therefore, when reviewing the financial information discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities – Modified Cash Basis*

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2013, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances, investments, capital assets, and long-term debt balances of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's modified cash position and the changes in modified cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's modified cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well, such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.

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

**Fund Financial Statements**

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

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

*Proprietary Fund* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The Internal Service Fund is used to account for the dental benefits provided to employees, and the collection and payment of premiums for medical insurance to the insurance purchasing pool

*Fiduciary Fund* – The School District's only fiduciary fund is an agency fund. We exclude this activity from the School District's other financial statements because the School District cannot use these assets to finance its operations. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the modified cash basis of accounting.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

**The School District as a Whole**

As stated previously, the Statement of Net Position looks at the School District as a whole. Table 1 provides a summary of the School District's net position for the fiscal years ended 2013 and 2012.

Table 1  
Net Position  
Governmental Activities

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$2,790,779	\$2,928,776	(\$137,997)
Capital Assets, Net	12,914,687	13,388,437	(473,750)
Total Assets	15,705,466	16,317,213	(611,747)
<b>Liabilities</b>			
Long-Term Liabilities	773,000	818,000	(45,000)
<b>Net Assets</b>			
Net Investment in Capital Assets	12,141,687	12,590,700	(449,013)
Restricted	965,253	1,015,239	(49,986)
Unrestricted	1,825,526	1,893,274	(67,748)
Total Net Position	\$14,932,466	\$15,499,213	(\$566,747)

Total assets decreased \$611,747. Capital assets decreased \$473,750 due to the recognition of \$565,604 in depreciation, offset by additions of \$91,854. Long-Term Liabilities decreased due to current year debt principal payments.

Table 2, on the following page, shows the highlights of the School District's receipts and disbursements. These two main components are netted to yield the change in net position.

Receipts are divided into two major components: Program Receipts and General Receipts. Program Receipts are defined as charges for services and sales, restricted grants, and contributions. General Receipts include taxes, unrestricted grants, such as State foundation support, unrestricted interest, and miscellaneous receipts.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2  
Change in Net Position  
Governmental Activities

	2013	2012
<b>Receipts</b>		
Program Receipts:		
Charges for Services and Sales	\$872,820	\$799,682
Operating Grants and Contributions	870,886	1,078,444
Total Program Receipts	<u>1,743,706</u>	<u>1,878,126</u>
General Receipts:		
Property Taxes	1,498,285	1,513,345
Grants and Entitlements not Restricted to Specific Programs	4,954,885	5,183,153
Gifts and Donations not Restricted to Specific Programs	21,770	5,052
Gain on Sale of Capital Assets	206	200
Premium on Bonds Issued	0	17,935
Interest	2,168	2,903
Miscellaneous	97,174	79,139
Total General Receipts	<u>6,574,488</u>	<u>6,801,727</u>
 Total Receipts	 <u>8,318,194</u>	 <u>8,679,853</u>
 <b>Program Disbursements</b>		
Instruction:		
Regular	3,298,858	3,389,161
Special	863,185	919,969
Vocational	122,920	170,426
Student Intervention Services	1,128,951	1,049,246
Support Services:		
Pupils	391,453	402,723
Instructional Staff	513,316	476,709
Board of Education	31,348	42,643
Administration	439,506	442,790
Fiscal	193,650	230,861
Business	2,966	4,967
Operation and Maintenance of Plant	692,576	953,933
Pupil Transportation	679,108	673,625
Central	720	0
Operation of Non-Instructional Services:		
Food Service Operations	392,450	359,937
Extracurricular Activities	116,512	107,615
Interest and Fiscal Charges	17,422	34,617
Issuance Costs	0	17,863
Total Disbursements	<u>8,884,941</u>	<u>9,277,085</u>
Change in Net Position	(566,747)	(597,232)
Net Position at Beginning of Year	<u>15,499,213</u>	<u>16,096,445</u>
Net Position at End of Year	<u><u>\$14,932,466</u></u>	<u><u>\$15,499,213</u></u>

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 60 percent of cash receipts for governmental activities. Property tax receipts made up 18 percent of the total cash receipts for a total of 78 percent of the School District cash receipts. Operating Grants and Contributions decreased due to monies received in the prior year for ARRA programs, which were not received in the current year. Grants and entitlements not restricted to specific programs decreased due to decreases in foundation receipts from the State.

Regular instruction comprises 37 percent of governmental program cash disbursements. Student Intervention Services increased while regular instruction decreased as the School District provided and allocated expenditures for more student intervention services during the current fiscal year. Operation and maintenance of plant decreased due to decreased costs to maintain School District buildings.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, and contributions 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 receipts. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns represents restricted grants, fees, and donations.

Table 3  
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$5,413,914	\$4,647,842	\$5,528,802	\$4,543,620
Support Services	2,944,643	2,370,765	3,228,251	2,699,658
Operation of Non- Instructional Services	392,450	35,532	359,937	33,992
Extracurricular Activities	116,512	69,699	107,615	69,209
Interest, Fiscal Charges, and Issuance Costs	17,422	17,397	52,480	52,480
<b>Total Expenses</b>	<b>\$8,884,941</b>	<b>\$7,141,235</b>	<b>\$9,277,085</b>	<b>\$7,398,959</b>

**The School District's Funds**

Information about the School District's major governmental funds begins on page 13. These funds are reported using the modified cash basis of accounting. All governmental funds had total receipts and other financing sources of \$8,345,645 and disbursements of and other financing uses of \$8,504,989. The net change in fund balance was most significant in the General Fund, a decrease of \$89,095. The School District is working diligently to maintain costs while General Fund receipts remain stagnant. However, with no additional funding, the disbursements will exceed receipts in future fiscal years.

The Debt Service Fund saw a decrease in fund balance this fiscal year of \$34,721; however, the fund balance of \$610,972 provides sufficient resources to handle the decrease.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

**General Fund – Budget Highlights**

The School District's budget is prepared according to the requirements of Ohio law, and is based on cash receipts, disbursements and encumbrances. During the course of fiscal year 2013, the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is reported on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

The School District's ending unobligated cash balance was \$125,444 below the final budgeted amount for the General Fund.

For the General Fund, original budgeted receipts and final budgeted receipts were \$7,341,147. The difference between actual budget basis receipts and final budgeted receipts was \$128,732, which was due to decreases in intergovernmental receipts and tuition and fees.

Original budgeted disbursements in the General Fund were \$7,618,061 and final budgeted disbursements were \$7,583,976. This represents a decrease in estimated disbursements of \$34,085, due primarily to a decrease in support services. Actual budget basis disbursements were less than final budgeted disbursements in the amount of \$3,288; however, the School District's efforts to monitor and cut costs in all possible areas significantly reduced disbursements in the General Fund.

**Capital Assets and Debt Administration**

**Capital Assets**

The Bright Local School District's investment in capital assets as of June 30, 2013 was \$12,914,687. The investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012.

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

	2013	2012
Land	\$192,775	\$192,775
Construction in Progress	8,120	0
Land Improvements	133,606	184,702
Buildings and Building Improvements	12,066,520	12,415,032
Furniture, Fixtures and Equipment	324,673	346,919
Vehicles	188,993	249,009
Totals	<u>\$12,914,687</u>	<u>\$13,388,437</u>

Net capital assets decreased \$473,750 from the prior fiscal year. This is due to depreciation expense of \$565,604, offset by additions of capital assets of \$91,854.

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

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

**Debt**

At June 30, 2013, the School District had \$773,000 in bonds outstanding, with \$50,000 due within one year. Table 5 summarizes the bonds outstanding at fiscal year-end.

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

	2013	2012
General Obligation Bonds:		
2010 School Improvement Refunding Bonds	\$305,000	\$310,000
2012 Energy Conservation Bond	378,000	378,000
1998 School Improvement Bonds	90,000	130,000
Totals	<u>\$773,000</u>	<u>\$818,000</u>

The School District's overall legal debt margin was \$6,541,591 with an unvoted debt margin of \$81,273 at June 30, 2013.

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

**Financial Issues/Concerns**

The greatest concern for the Bright Local School District is the state of the economy in Ohio. With the loss of jobs, the stagnant housing market, and increases in foreclosures, the School District could experience reductions in receipts at both the State and local levels. The School District has been experiencing a decline in enrollment which negatively effects our State funding. Other educational options such as home schooling and virtual classrooms have contributed to the decline in enrollment. Approximately 70 percent of the School District's funding comes from the State, therefore any changes in State funding has a major impact upon our receipts. The State continues to increase accountability and restructure statewide testing and curriculum, which forces the School District to realign programs and courses of study at its own expense.

Other concerns for the Bright Local School District include the increasing costs of utilities and fuel for bussing. We continually monitor and request quotes for utility and maintenance services. We were successful in securing a fixed price on propane by working with surrounding schools when seeking quotes. However, instability of the energy market could significantly impact our utility and fuel disbursements. The district just completed a House Bill 264 Energy Conservation Project to help reduce energy consumption thereby reducing costs. The State has also cut all funding to help with the purchase of busses.

School District personnel continue to seek grant funding, however grants have become more limited and more competitive.

***Bright Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Blinda Boothby, Treasurer, at Bright Local School District, P.O. Box 299, Mowrystown, Ohio 45155.

**Bright Local School District**  
Statement of Net Position - Modified Cash Basis  
June 30, 2013

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,740,337
Investments with Escrow Agents	50,442
Capital Assets:	
Non-Depreciable Capital Assets	200,895
Depreciable Capital Assets, Net	12,713,792
<i>Total Assets</i>	<u>15,705,466</u>
<b>Liabilities</b>	
Due Within One Year	50,000
Due in More Than One Year	723,000
<i>Total Liabilities</i>	<u>773,000</u>
<b>Net Position</b>	
Net Investment in Capital Assets	12,141,687
Restricted for:	
Debt Service	610,972
Set-Asides	22,449
Other Purposes	331,832
Unrestricted	1,825,526
<i>Total Net Position</i>	<u>\$14,932,466</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2013

	Disbursements	Program Receipts		Net (Disbursements)
		Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,298,858	\$291,495	\$69,243	(\$2,938,120)
Special	863,185	93,157	182,140	(587,888)
Vocational	122,920	12,497	3,266	(107,157)
Student Intervention Services	1,128,951	114,274	0	(1,014,677)
Support Services:				
Pupils	391,453	40,302	21,363	(329,788)
Instructional Staff	513,316	59,622	217,834	(235,860)
Board of Education	31,348	3,173	0	(28,175)
Administration	439,506	44,553	4,409	(390,544)
Fiscal	193,650	19,578	785	(173,287)
Business	2,966	300	0	(2,666)
Operation and Maintenance of Plant	692,576	70,162	29,651	(592,763)
Pupil Transportation	679,108	62,073	0	(617,035)
Central	720	73	0	(647)
Operation of Non-Instructional Services:				
Food Service Operations	392,450	48,631	308,287	(35,532)
Extracurricular Activities	116,512	12,905	33,908	(69,699)
Interest and Fiscal Charges	17,422	25	0	(17,397)
<b>Total Governmental Activities</b>	<b>\$8,884,941</b>	<b>\$872,820</b>	<b>\$870,886</b>	<b>(7,141,235)</b>

**General Receipts**

Property Taxes Levied for:	
General Purposes	1,469,745
Capital Outlay	28,540
Grants and Entitlements not	
Restricted to Specific Programs	4,954,885
Gifts and Donations not	
Restricted to Specific Programs	21,770
Interest	2,168
Gain on Sale of Capital Assets	206
Miscellaneous	97,174
<b>Total General Receipts</b>	<b>6,574,488</b>
<b>Change in Net Position</b>	<b>(566,747)</b>
<b>Net Position at Beginning of Year</b>	<b>15,499,213</b>
<b>Net Position at End of Year</b>	<b>\$14,932,466</b>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
June 30, 2013

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,629,081	\$560,530	\$331,832	\$2,521,443
Investments with Escrow Agents	0	50,442	0	50,442
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,449	0	0	22,449
<i>Total Assets</i>	<u>\$1,651,530</u>	<u>\$610,972</u>	<u>\$331,832</u>	<u>\$2,594,334</u>
<b>Fund Balances</b>				
Restricted	0	610,972	331,832	942,804
Assigned	314,300	0	0	314,300
Unassigned	1,337,230	0	0	1,337,230
<i>Total Fund Balances</i>	<u>\$1,651,530</u>	<u>\$610,972</u>	<u>\$331,832</u>	<u>\$2,594,334</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities - Modified Cash Basis  
June 30, 2013

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**Total Governmental Fund Balances** \$2,594,334

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,914,687

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Position: 196,445

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

School improvement bonds payable	(90,000)
Energy conservation bonds payable	(378,000)
School improvement refunding bonds payable	(290,000)
Capital appreciation bonds payable	<u>(15,000)</u>

**Net Position of Governmental Activities** \$14,932,466

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$1,469,745	\$0	\$28,540	\$1,498,285
Intergovernmental	4,942,694	0	883,077	5,825,771
Interest	2,020	0	148	2,168
Tuition and Fees	714,820	0	0	714,820
Rent	8,240	0	0	8,240
Extracurricular Activities	10,698	0	27,136	37,834
Gifts and Donations	3,484	0	18,286	21,770
Customer Sales and Services	2,271	0	109,655	111,926
Miscellaneous	89,064	0	8,316	97,380
<i>Total Receipts</i>	<u>7,243,036</u>	<u>0</u>	<u>1,075,158</u>	<u>8,318,194</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,771,871	0	86,196	2,858,067
Special	642,273	0	218,518	860,791
Vocational	118,375	0	4,000	122,375
Student Intervention Services	1,128,951	0	0	1,128,951
Support Services:				
Pupils	364,862	0	26,164	391,026
Instructional Staff	249,556	0	266,785	516,341
Board of Education	31,348	0	0	31,348
Administration	433,283	0	5,400	438,683
Fiscal	192,198	0	962	193,160
Business	2,966	0	0	2,966
Operation and Maintenance of Plant	646,942	0	42,328	689,270
Pupil Transportation	613,237	0	0	613,237
Central	720	0	0	720
Operation of Non-Instructional Services	0	0	377,565	377,565
Extracurricular Activities	74,653	0	41,528	116,181
Capital Outlay	35,446	0	38,989	74,435
Debt Service				
Principal Retirement	0	45,000	0	45,000
Interest and Fiscal Charges	250	17,172	0	17,422
<i>Total Disbursements</i>	<u>7,306,931</u>	<u>62,172</u>	<u>1,108,435</u>	<u>8,477,538</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(63,895)</u>	<u>(62,172)</u>	<u>(33,277)</u>	<u>(159,344)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	27,451	0	27,451
Transfers Out	(25,200)	0	(2,251)	(27,451)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,200)</u>	<u>27,451</u>	<u>(2,251)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(89,095)	(34,721)	(35,528)	(159,344)
<i>Fund Balances at Beginning of Year</i>	<u>1,740,625</u>	<u>645,693</u>	<u>367,360</u>	<u>2,753,678</u>
<i>Fund Balances at End of Year</i>	<u>\$1,651,530</u>	<u>\$610,972</u>	<u>\$331,832</u>	<u>\$2,594,334</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
 Reconciliation of the Change in Fund Balances of Governmental Funds  
 to the Statement of Activities - Modified Cash Basis  
 For the Fiscal Year Ended June 30, 2013

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**Net Change in Fund Balances - Total Governmental Funds** (\$159,344)

*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	91,854	
Depreciation expense	<u>(565,604)</u>	
Excess of capital additions under depreciation expense		(473,750)

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. 21,347

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

Bond payments	<u>45,000</u>
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**Change in Net Position of Governmental Activities** (\$566,747)

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget (Budgetary Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2013

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Cash Receipts and Other Financing Sources	\$ 7,341,147	\$ 7,341,147	\$ 7,212,415	\$ (128,732)
Total Cash Disbursements and Other Financing Uses	<u>7,618,061</u>	<u>7,583,976</u>	<u>7,580,688</u>	<u>3,288</u>
Net Change in Fund Balance	(276,914)	(242,829)	(368,273)	(125,444)
Fund Balance at Beginning of Year	1,518,077	1,518,077	1,518,077	-
Prior Year Encumbrances Appropriated	<u>213,975</u>	<u>213,975</u>	<u>213,975</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,455,138</u>	<u>\$ 1,489,223</u>	<u>\$ 1,363,779</u>	<u>\$ (125,444)</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Fund Net Position - Modified Cash Basis  
Internal Service Fund  
June 30, 2013

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	<u>Self-Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$196,445</u>
<b>Net Position</b>	
Unrestricted	<u>\$196,445</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Receipts, Disbursements  
and Changes in Fund Net Position - Modified Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2013

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	Self-Insurance
<b>Operating Receipts</b>	
Charges for Services	\$96,000
<b>Operating Disbursements</b>	
Purchased Services	3,274
Claims	71,379
<i>Total Operating Disbursements</i>	74,653
<i>Change in Net Assets</i>	21,347
<i>Net Position at Beginning of Year</i>	175,098
<i>Net Position at End of Year</i>	\$196,445

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Flows - Modified Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2013

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	Self-Insurance
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Quasi-External Transactions With Other Funds	\$96,000
Cash Payments to Suppliers for Goods and Services	(3,274)
Cash Payments for Claims	(71,379)
<i>Net Cash Provided by Operating Activities</i>	21,347
<i>Cash and Cash Equivalents at Beginning of Year</i>	175,098
<i>Cash and Cash Equivalents at End of Year</i>	\$196,445

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Fiduciary Net Position - Modified Cash Basis  
Fiduciary Funds  
June 30, 2013

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$17,408</u>
<b>Net Position</b>	
Unrestricted	<u>\$17,408</u>

See accompanying notes to the basic financial statements

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

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

The School District was established in 1968. The School District serves an area of 118 square miles. It is located in Highland County, including all of the Village of Mowrystown, and portions of surrounding townships. The Board of Education controls the School District’s two instructional support facilities staffed by 34 non-certified employees, 53 teaching personnel and 11 administrative employees providing education to 745 students.

**Reporting Entity**

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

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

The School District participates in four organizations, one of which is defined as a jointly governed organization, two as purchasing pools and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council, and the Brown County School Benefits Consortium. These organizations are presented in Notes 14, 15, and 16 to the basic financial statements.

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

As discussed further in Section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" receipts and disbursements. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The Statement of Net Position presents the cash balance, investments, capital assets, and debt of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

**Fund Financial Statements**

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary.

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

**Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

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

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

**Proprietary Fund**

The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service; the School District has no enterprise funds.

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

**Fiduciary Fund**

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

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting except for modifications described in note 2F and 2G. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District holds money in a sinking fund to be used for payment of the debt issued to finance the energy conservation remodeling project. The monies are presented as "Investments with Escrow Agents" on the financial statements.

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 2013 amounted to \$2,020, and All Other Governmental Funds received \$148.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. The School District had no investments at June 30, 2013 other than those identified in the first paragraph above.

**E. Restricted Assets**

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

**F. Capital Assets**

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, 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

**G. Long-Term Obligations**

Long-term debt obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds and Energy Conservation Improvement Bonds.

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

**H. Interfund Transactions**

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The School District did not have any advances in or out during 2013.

**I. Internal Activity**

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

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to disbursements for specified purposes.

The School District applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies and authorized purchase commitments by the School District Board of Education.

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when disbursements are made for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are made for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Estimates**

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation); accordingly, actual results could differ from those estimates.

**N. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

**O. Budgetary Process**

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

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

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

**P. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the School District, these receipts are charges for services to the various funds to cover the costs of the self-insurance program. Operating disbursements are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund.

**Q. Unamortized Bond Issuance Costs/Bond Premium and Discount**

The School District's financial statements are prepared on the modified cash basis of accounting.

On the government-wide financial statements, bond issuance costs are recorded as disbursements on the statement of activities. Unamortized bond issuance costs are recorded as a disbursement on the statement of activities. Bond premiums are recorded as a receipt on the statement of activities.

Bond issuance costs and bond premiums are recognized as receipts/disbursements on the statement of cash receipts, disbursements and changes in fund balance.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Budgetary Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are: outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and funds treated as General Fund equivalents on the modified cash basis that are not included on the budget basis

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

General Fund	
Modified Cash Basis	(\$89,095)
Perspective Difference:	
Activity of Fund Reclassified for GAAP Reporting Purposes	(1,198)
Encumbrances	<u>(277,980)</u>
Budget Basis	<u><u>(\$368,273)</u></u>

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 4 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**NOTE 5 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	All Other Governmental Funds	Total
<b><i>Restricted for</i></b>				
Debt Payments	\$0	\$610,972	\$0	\$610,972
Food Service Operations	0	0	187,163	187,163
Classroom Facilities	0	0	133,057	133,057
District Managed Activity	0	0	11,556	11,556
Other Purposes	0	0	56	56
<b><i>Total Restricted</i></b>	<b>0</b>	<b>610,972</b>	<b>331,832</b>	<b>942,804</b>
<b><i>Assigned to</i></b>				
Budget Stabilization	22,449	0	0	22,449
Other Purposes	291,851	0	0	291,851
<b><i>Total Assigned</i></b>	<b>314,300</b>	<b>0</b>	<b>0</b>	<b>314,300</b>
<b><i>Unassigned</i></b>	<b>1,337,230</b>	<b>0</b>	<b>0</b>	<b>1,337,230</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,651,530</b>	<b>\$610,972</b>	<b>\$331,832</b>	<b>\$2,594,334</b>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

**Deposits**

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

As of June 30, 2013, the District's bank balance of \$2,857,292 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

**Investments** At June 30, 2013, the School District had the following investments which were held in the sinking fund restricted for the future payment of debt:

Investment Type	Cost	Fair Value	Less Than One Year	% of Total
Money Market Funds	\$455	\$455	\$455	.1%
U.S. Treasury Bill	49,987	50,000	50,000	99.1%
<b>Total</b>	<b>\$50,442</b>	<b>\$50,455</b>	<b>\$50,455</b>	<b>100.0%</b>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the School District's investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy places limitations on the types of investments the School District may invest in. The School District's policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The U.S. Treasury Bill has been rated AAA by Moodys while the money market funds were unrated.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2013, and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Highland and Adams Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$72,852,770	92.13%	\$74,988,690	92.27%
Public Utility Personal	6,220,150	7.87%	6,284,540	7.73%
Total Assessed Value	<u>\$79,072,920</u>	<u>100.00%</u>	<u>\$81,273,230</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$27.20		\$26.20	

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$192,775	\$0	\$0	\$192,775
Construction in Progress	0	8,120	0	8,120
Total Capital Assets Not Being Depreciated	<u>192,775</u>	<u>8,120</u>	<u>0</u>	<u>200,895</u>
Capital Assets Being Depreciated:				
Land Improvements	821,773	0	0	821,773
Buildings and Building Improvements	18,870,286	70,239	0	18,940,525
Furniture, Fixtures and Equipment	1,698,803	13,495	(21,000)	1,691,298
Vehicles	1,014,499	0	0	1,014,499
Total Capital Assets Being Depreciated	<u>22,405,361</u>	<u>83,734</u>	<u>(21,000)</u>	<u>22,468,095</u>
Less Accumulated Depreciation:				
Land Improvements	(637,071)	(51,096)	0	(688,167)
Buildings and Building Improvements	(6,455,254)	(418,751)	0	(6,874,005)
Furniture, Fixtures and Equipment	(1,351,884)	(35,741)	21,000	(1,366,625)
Vehicles	(765,490)	(60,016)	0	(825,506)
Total Accumulated Depreciation	<u>(9,209,699)</u>	<u>(565,604)</u>	<u>21,000</u>	<u>(9,754,303)</u>
Total Capital Assets Being Depreciated, Net	<u>13,195,662</u>	<u>(481,870)</u>	<u>0</u>	<u>12,713,792</u>
Governmental Activities Capital Assets, Net	<u>\$13,388,437</u>	<u>(\$473,750)</u>	<u>\$0</u>	<u>\$12,914,687</u>

Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	\$472,438
Special	2,394
Vocational	545
Support Services:	
Pupils	427
Instructional Staff	170
Administration	823
Fiscal	490
Operation and Maintenance of Plant	7,230
Pupil Transportation	65,871
Operation of Non-Instructional Services	14,885
Extracurricular Activities	331
Total Depreciation Expense	<u>\$565,604</u>

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with the Governmental Underwriters of America for general liability, property, and fleet insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been any significant reduction in coverage from the prior year.

**B. Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Dental Benefits**

Dental benefits are provided through a self-insurance program. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on a determined cost per employee. The estimated claims liability below was provided by the third party administrator. A comparison of Self Insurance Fund cash to the estimated liability as of June 30 follows:

	<u>2013</u>	<u>2012</u>
Cash	\$ 196,445	\$ 175,098
Estimated Liabilities	\$ 6,116	\$ 10,455

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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 on SERS' website, at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$129,024, \$128,616, and \$93,549, respectively, which equaled the required annual contribution for each year.

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

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

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

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$417,660, \$387,948, and \$410,744, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio’s Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**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, 2013, four of the School District’s members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

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

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent, respectively. For the District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$6,820, \$6,890, and \$6,020, which equaled the required contributions for those years.

**Health Care Plan**

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$22,000, \$20,290, and \$29,699, respectively; which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employer/Audit Resources*.

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

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

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$29,833, \$27,711, and \$31,596, for fiscal years 2013, 2012, and 2011, respectively; which is equal to the required amounts for those years.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Up to two years of accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 182 days for non-certified union members, 200 days for teachers, and 240 days for administrators. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum payment of 55 days for teachers. Teachers who are at the 50 day maximum for severance, earn an extra five days of severance pay. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum payment of 60 days for non-certified union members and administrative employees.

**B. Life and Accident Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through OneAmerica – American United Life Insurance Company.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
2010 School Improvement Refunding Bonds					
Term Bonds 2.9% - 3.7%	\$295,000	\$0	\$5,000	\$290,000	\$5,000
Capital Appreciation Bonds - 3.7%	15,000	0	0	15,000	0
1998 School Improvement Bonds - 5.4064%	130,000	0	40,000	90,000	45,000
2012 Energy Conservation Improvement Bonds - 5.2%	378,000	0	0	378,000	0
Total Governmental Long-Term Liabilities	<u>\$818,000</u>	<u>\$0</u>	<u>\$45,000</u>	<u>\$773,000</u>	<u>\$50,000</u>

**School Improvement Bonds** - In June 1998, the School District issued school improvement bonds in the amount of \$875,000 for the construction of a new elementary school and renovations to the high school building. The bonds were issued for a 23 year period with final maturity in 2021. The bonds are being paid from the Debt Service Fund.

In April 2010, the School District issued \$325,000 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. \$310,000 were term bonds and \$15,000 was a capital appreciation bond. This was a current refunding. The bonds were issued for a 10 year period, with final maturity in December 2020. The bonds were issued at a premium of \$18,589 and had related issuance costs of \$10,199. The refunding resulted in a difference of \$8,390 between the net carrying amount of the debt and the acquisition price. The current year premium reduction was \$1,663 leaving an outstanding balance of \$13,303. The current year deferred gain on the refunding reduction was \$751 leaving an outstanding balance of \$6,003.

The capital appreciation bonds will mature in fiscal year 2018. The maturity amount of the capital appreciation bonds will be \$55,000. For fiscal year 2013, the capital appreciation bonds were accreted \$4,018 resulting in a balance of \$10,606 for accretion on capital appreciation bonds.

Energy Conservation Bonds – In July 2011, the School District issued \$378,000 in Energy Conservation Bonds for the purpose of installations, modifications of installations or remodeling that would significantly reduce energy consumption in current School District buildings. The bonds were issued at 5.2% interest rate and have a final maturity date of December 1, 2025. The bonds are being paid from the Debt Service Fund.

As part of the agreement, US Bank National Association deposited \$378,000 in the School District's name, with an escrow agent for the renovations to the buildings. The School District makes annual interest payments to US Bank and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's bond liability. US Bank will be repaid in fiscal year 2026 when the \$378,000 bond payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the bond is paid timely. The School District is current on the deposits.

The School District's overall legal debt margin was \$6,541,591 with an unvoted debt margin of \$81,273 at June 30, 2013.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013, are as follows:

Fiscal year Ending June 30,	1998 School Improvement Bonds		2010 School Improvement Bonds			
	Principal	Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest
2014	\$45,000	\$3,915	\$5,000	\$9,738	\$0	\$0
2015	45,000	1,305	5,000	9,592	0	0
2016	0	0	50,000	8,795	0	0
2017	0	0	55,000	8,070	0	0
2018	0	0	15,000	6,475	0	0
2019-2023	0	0	160,000	40,381	15,000	40,000
Total	\$90,000	\$5,220	\$290,000	\$83,051	\$15,000	\$40,000

Fiscal Year Ending June 30,	2012 Energy Conservation Bonds		
	Principal	Interest	Sinking Fund Payments
2014	\$ -	\$ 19,656	\$ 25,200
2015	-	19,656	25,200
2016	-	19,656	25,200
2017	-	19,656	25,200
2018	-	19,656	25,200
2019-2023	-	98,280	126,000
2024-2026	378,000	58,968	75,600
	\$ 378,000	\$ 255,528	\$ 327,600

**NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

**South Central Ohio Computer Association Council of Governments**

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio 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 COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA COG \$123,345 for services provided during the fiscal year. Financial information can be obtained from their fiscal office located at Pike County Career Technology Center, P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 15 - PURCHASING POOLS**

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

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

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (EPC). The EPC is a council of governments with over 40 years of shared services experience, pooling the purchasing power of over 130 Ohio School Districts. Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health insurance; liability, fleet and property insurance; utilities; group rating; as well as food; classroom and office supplies; furniture; medical supplies and much more.

**NOTE 16 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County School Benefits Consortium**

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

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

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

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

	Capital Acquisitions	Budget Stabilization
Set-aside Balance as of June 30, 2012	\$0	\$22,449
Current Fiscal Year Set-aside Requirement	124,211	0
Qualifying Disbursements	(124,211)	0
Totals	\$0	\$22,449
Set-aside Balance Carried		
Forward to Future Fiscal Years	\$0	\$22,449
Set-aside Balance as of June 30, 2013	\$0	\$22,449

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

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

The School District is not currently party to legal proceedings.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 19 - CHANGES IN ACCOUNTING PRINCIPLES**

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position. As the District prepares its financial statements on a cash basis, GASB Statement No. 62 and GASB Statement No. 65 will have no effect.

**NOTE 20 - INTERFUND**

**Interfund Transfers**

Transfers made during the year ended June 30, 2013, were as follows:

Funds:	Transfer To:	Transfer From:
Major		
General Fund	\$ -	\$ 25,200
Debt Service Fund	27,451	-
Total Major Funds	27,451	25,200
Non-Major Capital Project Fund		
Permanent Improvement Fund	-	2,251
Total	\$ 27,451	\$ 27,451

The transfer from the General Fund was made to move unrestricted balances to support debt service payments. The transfer from the Permanent Improvement Fund was to close out unexpended capital project monies to the Debt Service Fund.

Bright Local School District  
Highland County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 81,891	\$ -	\$ 81,891	
National School Lunch Program	3L60	10.555	163,758	6,051	163,758	6,051
Total - Nutrition Cluster			245,649	6,051	245,649	6,051
<b>Total United States Department of Agriculture</b>			<b>245,649</b>	<b>6,051</b>	<b>245,649</b>	<b>6,051</b>
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	147,219	-	149,320	-
Special Education - Preschool Grants	3C50	84.173	1,892	-	1,892	-
Total Special Education Cluster			149,111	-	151,212	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	276,824	-	282,286	-
Total Title I, Part A Cluster			276,824	-	282,286	-
Education Jobs Fund	3ET0	84.410	18,826	-	19,298	-
Rural Education	3Y80	84.358	15,029	-	14,942	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top, Recovery Act	3FD0	84.395	69,508	-	70,260	-
Improving Teacher Quality State Grants	3Y60	84.367	58,259	-	58,268	-
Total Passed through Ohio Department of Education			161,622	-	162,768	-
<b>Total United States Department of Education</b>			<b>587,557</b>	<b>-</b>	<b>596,266</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 833,206</b>	<b>\$ 6,051</b>	<b>\$ 841,915</b>	<b>\$ 6,051</b>

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

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 (expenditure) 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. At June 30, 2013, the District had no significant food commodities in inventory.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Local School District, Highland County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2013 wherein we noted the District follows a comprehensive basis of accounting other than generally accepted accounting principles and implemented GASB Statement No.63.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 3, 2013



# Balestra, Harr & Scherer, CPAs, Inc.

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[www.bhscpas.com](http://www.bhscpas.com)

## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited the Bright Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bright Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

#### Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

#### Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

#### Opinion on the Major Federal Program

In our opinion, Bright Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 3, 2013

**Bright Local School District  
Highland County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013**

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

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

**Bright Local School District  
Highland County, Ohio**  
**Schedule of Findings**  
**OMB Circular A-133 Section §.505**  
**June 30, 2013**

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

**FINDING NUMBER 2013-001**

**Material Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

***Client Response:***

We did not receive a response from the client regarding the above finding.

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

**None noted**

**Bright Local School District  
Highland County, Ohio**

**Schedule of Prior Audit Findings  
For the Year Ended June 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-001	The District failed to file its annual financial report following the accounting principles generally accepted in the United States of America (GAAP).	No	Reissued as item 2013-001



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## Independent Auditor's Report on Applying Agreed Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 17, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";.

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 3, 2013



# Dave Yost • Auditor of State

**BRIGHT LOCAL SCHOOL DISTRICT**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 20, 2014**