



**Auditor of State  
Betty Montgomery**



**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types .....	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type .....	12
Combined Statement of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual (Budget Basis) – Proprietary Fund Type .....	13
Combined Statement of Cash Flows – Proprietary Fund Type .....	14
Notes to the General Purpose Financial Statements .....	15
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to Schedule of Federal Awards Expenditures .....	46
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	47
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	49
Schedule of Findings.....	51

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Bright Local School District  
Highland County  
P.O. Box 9  
Mowrystown, Ohio 45155

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Bright Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

The District is experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 19.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

March 30, 2004

**This page intentionally left blank.**

**Bright Local School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003

**GOVERNMENTAL FUND TYPES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,198,092	\$270,624	\$795,824	\$166,005
Receivables:				
Taxes	1,089,569	31,662	297,477	0
Intergovernmental	0	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,449	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,310,110</u>	<u>\$302,286</u>	<u>\$1,093,301</u>	<u>\$166,005</u>



<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$66,104	\$358,325	\$20,828	\$0	\$0	\$2,875,802
0	0	0	0	0	1,418,708
13,525	0	0	0	0	13,525
1,866	0	0	0	0	1,866
261	0	0	0	0	261
0	0	0	0	0	22,449
309,395	0	0	18,150,949	0	18,460,344
0	0	0	0	795,824	795,824
0	0	0	0	703,430	703,430
<u>\$391,151</u>	<u>\$358,325</u>	<u>\$20,828</u>	<u>\$18,150,949</u>	<u>\$1,499,254</u>	<u>\$24,292,209</u>

(continued)

**Bright Local School District**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003  
 (continued)

**GOVERNMENTAL FUND TYPES**

	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities:</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$11,497	\$3,618	\$0	\$0
Accrued Wages and Benefits	403,406	34,422	0	0
Compensated Absences Payable	15,552	0	0	0
Intergovernmental Payable	86,541	6,002	0	0
Deferred Revenue	1,004,375	29,536	269,851	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,521,371</b>	<b>73,578</b>	<b>269,851</b>	<b>0</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	151,568	39,688	385	2,499
Reserved for Property Taxes	85,194	2,126	27,626	0
Reserved for Budget Stabilization	22,449	0	0	0
Unreserved:				
Undesignated (Deficit)	529,528	186,894	795,439	163,506
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>788,739</b>	<b>228,708</b>	<b>823,450</b>	<b>166,005</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,310,110</b>	<b>\$302,286</b>	<b>\$1,093,301</b>	<b>\$166,005</b>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$0	\$15,115
11,460	0	0	0	0	449,288
201	0	0	0	249,760	265,513
5,571	221,653	0	0	46,556	366,323
0	0	0	0	0	1,303,762
0	0	20,828	0	0	20,828
0	69,899	0	0	0	69,899
0	0	0	0	17,938	17,938
0	0	0	0	1,185,000	1,185,000
17,232	291,552	20,828	0	1,499,254	3,693,666
0	0	0	18,150,949	0	18,150,949
373,919	66,773	0	0	0	440,692
0	0	0	0	0	194,140
0	0	0	0	0	114,946
0	0	0	0	0	22,449
0	0	0	0	0	1,675,367
373,919	66,773	0	18,150,949	0	20,598,543
<u>\$391,151</u>	<u>\$358,325</u>	<u>\$20,828</u>	<u>\$18,150,949</u>	<u>\$1,499,254</u>	<u>\$24,292,209</u>

**Bright Local School District**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$1,010,469	\$24,358	\$316,526	\$0	\$1,351,353
Intergovernmental	4,539,068	553,812	39,024	15,614	5,147,518
Interest	28,389	0	0	2,114	30,503
Tuition and Fees	76,428	0	0	0	76,428
Rent	221	0	0	0	221
Extracurricular Activities	0	47,193	0	0	47,193
Gifts and Donations	750	481	0	0	1,231
Miscellaneous	56,280	10,205	0	0	66,485
<b>Total Revenues</b>	<b>5,711,605</b>	<b>636,049</b>	<b>355,550</b>	<b>17,728</b>	<b>6,720,932</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	2,218,150	152,808	0	1,443	2,372,401
Special	343,310	191,900	0	0	535,210
Vocational	138,799	0	0	0	138,799
Other	244,071	0	0	0	244,071
Support Services:					
Pupils	214,263	31,940	0	0	246,203
Instructional Staff	245,854	145,740	0	13,698	405,292
Board of Education	36,164	0	0	0	36,164
Administration	434,537	4,638	0	0	439,175
Fiscal	219,427	1,708	9,609	0	230,744
Operation and Maintenance of Plant	620,468	37,107	0	0	657,575
Pupil Transportation	574,699	404	0	0	575,103
Non-Instructional Services	369	3,867	0	0	4,236
Extracurricular Activities	65,762	37,556	0	0	103,318
Capital Outlay	361	0	0	144,516	144,877
Debt Service:					
Principal Retirement	73,059	0	100,000	0	173,059
Interest and Fiscal Charges	5,955	0	84,499	0	90,454
<b>Total Expenditures</b>	<b>5,435,248</b>	<b>607,668</b>	<b>194,108</b>	<b>159,657</b>	<b>6,396,681</b>
Excess of Revenues Over (Under) Expenditures	276,357	28,381	161,442	(141,929)	324,251
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	275	0	0	0	275
Operating Transfers-In	300,000	0	0	0	300,000
<b>Total Other Financing Sources (Uses)</b>	<b>300,275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300,275</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	576,632	28,381	161,442	(141,929)	624,526
Fund Balances at Beginning of Year	212,107	200,327	662,008	307,934	1,382,376
Fund Balances at End of Year	<u>\$788,739</u>	<u>\$228,708</u>	<u>\$823,450</u>	<u>\$166,005</u>	<u>\$2,006,902</u>

See accompanying notes to the general purpose financial statements  
 See accountant's compilation report

**This page intentionally left blank.**

**Bright Local School District**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,045,694	\$1,009,385	(\$36,309)	\$21,893	\$24,330	\$2,437
Intergovernmental	4,172,506	4,539,068	366,562	575,307	556,989	(18,318)
Interest	50,000	28,389	(21,611)	0	0	0
Tuition and Fees	19,000	76,428	57,428	0	0	0
Rent	500	221	(279)	0	0	0
Extracurricular Activities	0	0	0	41,700	47,193	5,493
Gifts and Donations	0	750	750	0	481	481
Miscellaneous	0	17,945	17,945	2,000	10,001	8,001
<b>Total Revenues</b>	<b>5,287,700</b>	<b>5,672,186</b>	<b>384,486</b>	<b>640,900</b>	<b>638,994</b>	<b>(1,906)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,301,843	2,252,339	49,504	218,086	168,384	49,702
Special	359,574	344,196	15,378	235,827	191,901	43,926
Vocational	149,290	144,063	5,227	0	0	0
Other	256,000	246,871	9,129	0	0	0
Support Services:						
Pupils	263,054	221,340	41,714	42,069	32,399	9,670
Instructional Staff	266,657	265,363	1,294	225,742	158,804	66,938
Board of Education	54,015	58,085	(4,070)	0	0	0
Administration	452,749	447,592	5,157	4,463	4,638	(175)
Fiscal	241,819	220,881	20,938	1,015	1,708	(693)
Operation and Maintenance of Plant	757,429	674,501	82,928	83,050	43,063	39,987
Pupil Transportation	552,356	597,122	(44,766)	532	532	0
Non-Instructional Services	4,154	396	3,758	6,922	4,397	2,525
Extracurricular Activities	73,662	67,064	6,598	43,955	40,532	3,423
Capital Outlay	108,016	28,375	79,641	0	0	0
Debt Service:						
Principal Retirement	60,000	60,000	0	0	0	0
Interest and Fiscal Charges	6,900	3,420	3,480	0	0	0
<b>Total Expenditures</b>	<b>5,907,518</b>	<b>5,631,608</b>	<b>275,910</b>	<b>861,661</b>	<b>646,358</b>	<b>215,303</b>
Excess of Revenues Over (Under) Expenditures	(619,818)	40,578	660,396	(220,761)	(7,364)	213,397
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	0	275	275	0	0	0
Refund of Prior Year Expenditures	0	38,336	38,336	0	204	204
Advances In	0	54,500	54,500	14,500	54,500	40,000
Advances Out	0	(54,500)	(54,500)	(14,500)	(54,500)	(40,000)
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Operating Transfers In	0	300,000	300,000	0	0	0
Operating Transfers Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>338,611</b>	<b>338,611</b>	<b>0</b>	<b>204</b>	<b>204</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(619,818)	379,189	999,007	(220,761)	(7,160)	213,601
Fund Balances at Beginning of Year	415,794	415,794	0	213,101	213,101	0
Prior Year Encumbrances Appropriated	264,905	264,905	0	21,377	21,377	0
<b>Fund Balances at End of Year</b>	<b>\$60,881</b>	<b>\$1,059,888</b>	<b>\$999,007</b>	<b>\$13,717</b>	<b>\$227,318</b>	<b>\$213,601</b>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$328,399	\$316,185	(\$12,214)	\$0	\$0	\$0
36,391	39,024	2,633	15,614	15,614	0
0	0	0	4,500	2,114	(2,386)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
364,790	355,209	(9,581)	20,114	17,728	(2,386)
0	0	0	1,485	1,485	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	16,197	16,197	0
0	0	0	0	0	0
0	0	0	0	0	0
11,650	10,258	1,392	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	289,908	147,145	142,763
100,000	100,000	0	0	0	0
94,000	84,499	9,501	0	0	0
205,650	194,757	10,893	307,590	164,827	142,763
159,140	160,452	1,312	(287,476)	(147,099)	140,377
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
159,140	160,452	1,312	(287,476)	(147,099)	140,377
634,337	634,337	0	190,619	190,619	0
650	650	0	119,986	119,986	0
<u>\$794,127</u>	<u>\$795,439</u>	<u>\$1,312</u>	<u>\$23,129</u>	<u>\$163,506</u>	<u>\$140,377</u>

**Bright Local School District**  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Sales	\$111,659	\$0	\$111,659
Charges for Services	0	1,020,661	1,020,661
Other	2,431	0	2,431
<i>Total Operating Revenues</i>	<u>114,090</u>	<u>1,020,661</u>	<u>1,134,751</u>
<b><u>Operating Expenses:</u></b>			
Salaries	57,717	0	57,717
Fringe Benefits	33,829	0	33,829
Purchased Services	6,872	74,037	80,909
Materials and Supplies	5,436	0	5,436
Cost of Sales	108,182	0	108,182
Depreciation	3,034	0	3,034
Claims	0	714,376	714,376
Other	134	0	134
<i>Total Operating Expenses</i>	<u>215,204</u>	<u>788,413</u>	<u>1,003,617</u>
Operating Loss	<u>(101,114)</u>	<u>232,248</u>	<u>131,134</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Interest	650	0	650
Federal Donated Commodities	20,490	0	20,490
Federal and State Subsidies	97,754	0	97,754
<i>Total Non-Operating Revenues (Expenses)</i>	<u>118,894</u>	<u>0</u>	<u>118,894</u>
Loss Before Operating Transfers	17,780	232,248	250,028
Operating Transfers Out	<u>0</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net Loss	17,780	(67,752)	(49,972)
Retained Earnings at Beginning of Year	<u>356,139</u>	<u>134,525</u>	<u>490,664</u>
Retained Earnings (Deficit) at End of Year	<u><u>\$373,919</u></u>	<u><u>\$66,773</u></u>	<u><u>\$440,692</u></u>

See accompanying notes to the general purpose financial statements



**Bright Local School District**  
Statement of Revenues, Expenses and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2003

	Enterprise Fund			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$126,000	\$111,659	(\$14,341)	\$0	\$0	\$0
Charges for Services	0	0	0	977,000	981,958	4,958
Refund of Prior Year Expense	0	11,722	11,722	0	0	0
Other	5,000	2,431	(2,569)	0	0	0
<i>Total Revenues</i>	<u>131,000</u>	<u>125,812</u>	<u>(5,188)</u>	<u>977,000</u>	<u>981,958</u>	<u>4,958</u>
<b><u>Expenses:</u></b>						
Salaries	79,000	60,840	18,160	0	0	0
Fringe Benefits	51,534	37,401	14,133	746,495	671,285	75,210
Purchased Services	4,260	7,886	(3,626)	539,474	376,075	163,399
Materials and Supplies	110,132	91,765	18,367	0	0	0
Other	500	134	366	0	0	0
<i>Total Expenses</i>	<u>245,426</u>	<u>198,026</u>	<u>47,400</u>	<u>1,285,969</u>	<u>1,047,360</u>	<u>238,609</u>
Excess of Revenues Over (Under) Expenses	(114,426)	(72,214)	42,212	(308,969)	(65,402)	243,567
<b><u>Non-Operating Revenues:</u></b>						
Interest	1,000	650	(350)	0	0	0
Federal & State Subsidies	100,000	84,229	(15,771)	0	0	0
Total Non-Operating Revenues	<u>101,000</u>	<u>84,879</u>	<u>(16,121)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Excess of Revenues Under Expenses and Advances	(13,426)	12,665	26,091	(308,969)	(65,402)	243,567
Operating Transfers-Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>(75,000)</u>	<u>(300,000)</u>	<u>(225,000)</u>
Excess of Revenues Over (Under) Expenses and Transfers	(13,426)	12,665	26,091	(383,969)	(365,402)	18,567
Fund Equity at Beginning of Year	52,232	52,232	0	138,008	138,008	0
Prior Year Encumbrances Appropriated	<u>192</u>	<u>192</u>	<u>0</u>	<u>355,968</u>	<u>355,968</u>	<u>0</u>
Fund Equity at End of Year	<u>\$38,998</u>	<u>\$65,089</u>	<u>\$26,091</u>	<u>\$110,007</u>	<u>\$128,574</u>	<u>\$18,567</u>

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
 Combiend Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2003

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$111,659	\$1,020,661	\$1,132,320
Cash Received from Others	2,431	0	2,431
Cash Payments on Employee Benefits	(37,401)	0	(37,401)
Cash Payments to Employees for Services	(60,840)	0	(60,840)
Cash Payments to Suppliers for Goods and Services	(98,636)	(74,037)	(172,673)
Cash Payments for Claims	0	(745,208)	(745,208)
Cash Payments to Others	(134)	0	(134)
Net Cash Used for Operating Activities	<u>(82,921)</u>	<u>201,416</u>	<u>118,495</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	95,951	0	95,951
Operating Transfers Out	0	(300,000)	(300,000)
Repayment of Short-Term Borrowing from Other Governments	0	(258,721)	(258,721)
Short-Term Borrowing from Other Governments	0	221,653	221,653
Net Cash Provided by Noncapital Financing Activities	<u>95,951</u>	<u>(337,068)</u>	<u>(241,117)</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	650	0	650
Net Increase in Cash and Cash Equivalents	13,680	(135,652)	(121,972)
Cash and Cash Equivalents at Beginning of Year	<u>52,424</u>	<u>493,977</u>	<u>546,401</u>
Cash and Cash Equivalents at End of Year	<u><u>\$66,104</u></u>	<u><u>\$358,325</u></u>	<u><u>\$424,429</u></u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u></b>			
Operating Income (Loss)	(\$101,114)	\$232,248	\$131,134
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Depreciation	3,034	0	3,034
Donated Commodities Received During Year	20,490	0	20,490
Changes in Assets and Liabilities:			
Decrease in Inventory Held for Resale	942	0	942
Decrease in Materials and Supplies Inventory	422	0	422
Decrease in Accrued Wages and Benefits	(3,363)	0	(3,363)
Decrease in Compensated Absences Payable	(1,101)	0	(1,101)
Decrease in Intergovernmental Payable	(2,231)	0	(2,231)
Decrease in Claims Payable	0	(30,832)	(30,832)
Total Adjustments	<u>18,193</u>	<u>(30,832)</u>	<u>(12,639)</u>
Net Cash Used for Operating Activities	<u><u>(\$82,921)</u></u>	<u><u>\$201,416</u></u>	<u><u>\$118,495</u></u>

**Non-Cash Transactions:**

During fiscal year 2003, the Food Service Enterprise Fund received \$20,490 in donated commodities.

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of 128 square miles. It is located in Highland County, including all of the Village of Mowrystown, and portions of surrounding townships. The Board of Education controls the School District's two instructional support facilities staffed by 40 non-certified and 57 teaching personnel and administrative employees providing education to 855 students.

*Reporting Entity:*

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

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

*Governmental Fund Types:*

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

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

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

*Proprietary Fund Type:*

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

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

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

*Fiduciary Fund Type:*

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

*Account Groups:*

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

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

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

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**C. Budgetary Process**

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

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

*Tax Budget:*

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

*Estimated Resources:*

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

*Appropriations:*

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

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

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

*Encumbrances:*

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



**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, the School District's investments were limited to repurchase agreements which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$28,389, which includes \$17,297 from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

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

**F. Fixed Assets and Depreciation**

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

Land Improvements	5 - 15 years
Buildings and Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	3 - 15 years

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

**G. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting payment method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

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

**I. Interfund Transactions**

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

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

**J. Fund Balance Reserves**

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

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

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for budget stabilization. See Note 16 for additional information regarding set-asides.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

**L. Estimates**

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

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

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$576,632	\$28,381	\$161,442	(\$141,929)
Adjustments:				
Revenue Accruals	(1,083)	3,149	(341)	0
Expenditure Accruals	(35,707)	4,615	(265)	(2,672)
Encumbrances	(160,653)	(43,306)	(385)	(2,499)
Budget Basis	\$379,189	(\$7,161)	\$160,451	(\$147,100)

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

	Enterprise	Internal Service
GAAP Basis	\$17,780	(\$67,752)
Adjustments:		
Revenue Accruals	(22,293)	(38,703)
Expense Accruals	18,193	(29,197)
Encumbrances	(1,015)	(229,751)
Budget Basis	\$12,665	(\$365,403)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. State Treasurer's investment pool (STAROhio);

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$1,459,378 and the bank balance was \$1,557,760. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,457,760 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Carrying/ Fair Value
Repurchase Agreements	\$1,438,873	\$1,438,873

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,898,251	\$0
Investment:		
Repurchase Agreements	(1,438,873)	1,438,873
GASB Statement No. 3	\$1,459,378	\$1,438,873

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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



**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Highland and Adams Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$85,194 in the general fund, \$2,126 in the classroom facilities maintenance special revenue fund, and \$27,626 in the debt service fund. The amount available as an advance at June 30, 2002, was \$84,110 in the general fund, \$2,098 in the classroom facilities maintenance special revenue fund, and \$27,285 in the debt service fund.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,708,710	91.56%	\$48,219,680	89.52%
Public Utility	3,455,930	6.77%	4,817,020	8.94%
Tangible Personal Property	850,650	1.67%	825,880	1.54%
Total Assessed Value	\$51,015,290	100.00%	\$53,862,580	100.00%

Tax rate per \$1,000 of assessed valuation	\$38.49	\$38.49
---	---------	---------

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the current year fiscal guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Enterprise Fund:</i>	
Food Service	\$13,525

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$354,070
Less: Accumulated Depreciation	(44,675)
Net Fixed Assets	\$309,395

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**NOTE 7 - FIXED ASSETS** (continued)

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Deductions	Balance at 6/30/03
Land and Improvements	\$939,599	\$7,690	\$1,814	\$945,475
Buildings and Improvements	18,672,446	112,568	9,105	18,775,909
Furniture, Fixtures and Equipment	2,171,385	70,919	22,072	2,220,232
Vehicles	755,762	0	0	755,762
Totals	<u>\$22,539,192</u>	<u>\$191,177</u>	<u>\$32,991</u>	22,697,378
Accumulated Depreciation				(4,546,429)
Total General Fixed Assets				<u>\$18,150,949</u>

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with the Ohio School Plan for general liability insurance and with the Ohio School Insurance Program for property insurance.

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

During fiscal year 2003, the School District entered into an agreement with the Ohio School Insurance Program and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays its annual premium to Marsh Company, the local agent for the Selective Insurance Company of South Carolina. Insurance coverage provided for property holds a \$1,000 deductible with a \$22,021,800 limit on all losses.

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical, vision and dental insurance is offered to employees through a self-insurance internal service fund. Mutual Health Services administers claims for the vision plan, Professional Risk Management administers the claims for the dental plans and Klais and Company administers the medical plans. The claims liability of \$69,899 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrators and the requirements of *GASB Statement No. 30 "Risk Financing Omnibus,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$95,728	\$775,575	\$770,572	\$100,731
2003	\$100,731	\$714,376	\$745,208	\$69,899

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$76,698, \$53,670, and \$40,544, respectively; 55.44 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$318,248, \$237,755, and \$252,786, respectively; 83.44 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$5,302 made by the School District and \$4,709 made by the plan members.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

**C. Social Security System**

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

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$23,735 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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



**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$66,072.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life and Accident Insurance**

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount of \$53,758 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$13,059.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copier Equipment	\$34,423	\$18,798	\$15,625
Music Equipment	19,335	19,335	0
Totals	\$53,758	\$38,133	\$15,625

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

	Fiscal Year Ending June 30,	GLTDAG
	2004	\$9,639
	2005	6,059
	2006	4,041
Total		19,739
Less: Amount Representing Interest		(1,801)
Present Value of Net Minimum Lease Payments		\$17,938

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>General Obligation Bonds:</u>				
School Improvement Bonds				
1985 9.125%	\$525,000	\$0	\$75,000	\$450,000
School Improvement Bonds				
1998 5.4064%	760,000	0	25,000	735,000
School Bus Bonds				
2000 5.6506%	60,000	0	60,000	0
Total General Obligation Bonds	<u>1,345,000</u>	<u>0</u>	<u>160,000</u>	<u>1,185,000</u>
<u>Other Long-Term Obligations:</u>				
Compensated Absences	256,422	0	6,662	249,760
Pension Obligation	44,355	46,556	44,355	46,556
Capital Leases	30,997	0	13,059	17,938
Total General Long-Term Obligations	<u>\$1,676,774</u>	<u>\$46,556</u>	<u>\$224,076</u>	<u>\$1,499,254</u>

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

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

*School Bus Bonds* - On June 1, 2000, the School District issued \$178,000 in unvoted general obligation bonds for the purpose of acquiring buses for the use in the transportation of students to and from school and other functions authorized by the Board of Education. The bonds were issued for a three year period and matured in 2003. These bonds were paid from the general fund.

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

The School District's overall legal debt margin was \$4,486,082 with an unvoted debt margin of \$53,863 at June 30, 2003.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$100,000	\$76,549	\$176,549
2005	100,000	68,581	168,581
2006	105,000	60,471	165,471
2007	105,000	52,217	157,217
2008	105,000	43,933	148,933
2009-2013	255,000	144,687	399,687
2014-2018	240,000	81,360	321,360
2019-2021	175,000	14,445	189,445
Total	<u>\$1,185,000</u>	<u>\$542,243</u>	<u>\$1,727,243</u>

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$78,158 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

**NOTE 15 - INSURANCE PURCHASING AND CLAIMS SERVICING POOLS**

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

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

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

*Ross County Schools Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical is administered through a third party administrator, Klais and Company. Dental is administered through Professional Risk Management Company. Vision is also administered through a third party administrator, Mutual Health Services. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the cost of administering the Consortium. Claims expense exceeded the premiums paid to the Consortium. The pool's money is covering the deficit. Every three years the consortium reviews the balances of any district that has a deficit balance. At that time the districts with deficit balances are required to pay one half of the deficit. To obtain financial information, write to the Westfall Local School District, Scott Glandon who serves as Treasurer, 19463 Pherson Pike, Williamsport, Ohio 43164-9745.

**NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	(\$221,850)	\$0	\$22,449
Current Year Set-aside Requirement	118,452	118,452	0
Current Year Offsets	0	(27,333)	0
Qualifying Disbursements	(103,691)	(201,552)	0
Totals	<u>(207,089)</u>	<u>(110,433)</u>	<u>22,449</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$207,089)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>

**Bright Local School District**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

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

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

**NOTE 17 – STATE SCHOOL FUNDING DECISION**

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

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

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

**NOTE 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

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

***Bright Local School District***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

---

**NOTE 19 – FISCAL CAUTION**

On March 15, 2003, the Bright Local School District (the District) was placed in fiscal caution by the Ohio Department of Education (ODE), due to the possibility of ending the current fiscal year in a deficit, as well as the potential for deficit in future years. The ODE requested a written proposal to eliminate the deficits for the current and next fiscal years. The District's proposal included reductions in staff, and change of health care plans and a wage freeze for the current fiscal year. The proposal was approved by the ODE in May of 2003. The District requested and received a financial, staffing and transportation analysis performed by the ODE. The District was also afforded a Performance Audit by the State of Ohio Auditor's Office. The District is using these analyses to regain financial stability. Currently, the ODE is monitoring the District's financial condition on a monthly basis.



**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Federal Grantor</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$20,978	\$0	\$20,978
National School Breakfast Program		10.553	20,430	0	20,430	0
National School Lunch Program		10.555	68,937	0	68,937	0
Total U.S. Department of Agriculture-Nutrition Cluster			89,367	20,978	89,367	20,978
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Preschool Grant	PG-S1-2003	84.173	1,924	0	1,924	0
Special Education Grants to States (Title VI B)						
	6B-SF-2003	84.027	85,934	0	74,583	0
	6B-SF-2002	84.027	1,440	0	7,497	0
Total Title VI B			87,374	0	82,080	0
Total Special Education Cluster			89,298	0	84,004	0
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-2003	84.010	212,959	0	140,985	0
	C1-S1-2002	84.010	3,472	0	54,764	0
Total ESEA Title 1			216,431	0	195,749	0
Drug Free Schools						
	DR-S1-2002	84.186	2,716	0	2,766	0
	DR-S1-2003	84.186	5,790	0	250	0
Total Drug Free Schools			8,506	0	3,016	0
Innovative Educational Program Strategies						
	C2-S1-2001	84.298	0	0	0	0
	C2-S1-2003	84.298	4,706	0	4,706	0
Total Innovative Education Program Strategies			4,706	0	4,706	0
Eisenhower Prof Development State Grant						
	MS-S1-2002	84.281	564	0	5,946	0
Total Eisenhower Prof Development State Grant			564	0	5,946	0
Goals 2000/Continued Improvement						
	G2-S2-2001	84.276	0	0	5,578	0
	G2-S2-2001	84.276	0	0	11,880	0
Total Goals 2000			0	0	17,458	0
Technology Literacy Challenge Grant Fund						
		84.318	5,826	0	5,826	
Total Title IID Technology			5,826	0	5,826	
Comprehensive School Reform Demonstration						
		84.332	100,000	0	40,756	
Class Size Reduction						
	CR-S1-2002	84.340	440	0	4,241	0
School Renovation						
	AT-S1-2002	84.352	0	0	549	
	AT-S1-2003	84.352	2,341	0	2,296	0
Total Department of Education			322,286	0	317,965	0
Rural Education Achievement Program						
		84.358	17,533	0	17,533	
Total VIB Rural/Low Income			17,533	0	17,533	
Title IIA Highly Qualified Teachers						
		84.367	50,710	0	39,114	
Total Title IIA Highly Qualified TEA			50,710	0	39,114	
<b>TOTALS</b>			<b><u>\$585,722</u></b>	<b><u>\$20,978</u></b>	<b><u>\$510,561</u></b>	<b><u>\$20,978</u></b>

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

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had an insignificant amount of food commodities in their inventory.



## **Auditor of State Betty Montgomery**

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

Bright Local School District  
Highland County  
P.O. Box 9  
Mowrystown, Ohio 45155

To the Board of Education:

We have audited the financial statements of Bright Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated March 30, 2004, wherein we noted the District was experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 30, 2004.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 30, 2004.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 30, 2004



**Auditor of State  
Betty Montgomery**

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

Bright Local School District  
Highland County  
P.O. Box 9  
Mowrystown, Ohio 45155

To the Board of Education:

**Compliance**

We have audited the compliance of the Eastern Local School District, Brown County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

**Internal Control Over Compliance**

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

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

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 30, 2004

**BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None







**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**BRIGHT LOCAL SCHOOL DISTRICT**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2004**