



# Balestra, Harr & Scherer, CPAs, Inc.

---

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

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

BRIGHT LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bright Local School District, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 2, 2011

**This page intentionally left blank.**

**BRIGHT LOCAL SCHOOL DISTRICT**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011  
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets-Modified Cash Basis.....	12
Statement of Activities-Modified Cash Basis .....	13
Fund Financial Statements:	
Balance Sheet – Modified Cash Basis -Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – Modified Cash Basis .....	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balances-Modified Cash Basis-Governmental Funds .....	16
Reconciliation of the Change in Fund Balances of Governmental Fund to Statement of Activities – Modified Cash Basis.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual (Budget Basis)-General Fund .....	18
Statement of Fund Net Assets-Modified Cash Basis – Internal Service Fund .....	19
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis-Internal Service Fund.....	20
Statement of Cash Flows-Modified Cash Basis-Internal Service Fund.....	21
Statement of Fiduciary Net Assets-Modified Cash Basis – Fiduciary Funds.....	22
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures .....	47
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	48
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.....	51
Schedule of Findings OMB Circular A-133 Section §.505 .....	53
Independent Auditor’s Report on Applying Agreed Upon Procedures.....	55

**This page intentionally left blank.**



# Balestra, Harr & Scherer, CPAs, Inc.

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

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

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bright Local School District, Highland County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bright Local School District, Highland County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position and where applicable, cash flows, thereof and the budgetary comparison of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government*

*Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For the year ended June 30, 2011, the District revised its basis of accounting from accounting principles generally accepted in the United States of America to the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District financial presentation is comparable to the requirements of Government Accounting Standard No.34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.



Balestra, Harr & Scherer, CPAs, Inc.  
October 21, 2011



**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

---

As management of the Bright Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. The intent of this discussion is to look at the School District's performance as a whole, and we encourage readers to consider the information presented here to enhance their understanding of the School District's overall financial performance.

**Financial Highlights**

- The assets of the Bright Local School District exceeded its liabilities at June 30, 2011 by \$16,096,445.
- The School District's net assets decreased \$563,398 during this fiscal year's operations.
- General receipts accounted for \$6,560,283 or 76 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$2,127,288 or 24 percent of all receipts of \$8,687,571.
- The School District had \$9,250,969 in disbursements related to governmental activities; only \$2,127,288 of these disbursements were offset by program specific charges for services and sales, grants, contributions and interest.

**Using The Basic Financial Statements**

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

*Report Components*

The Statement of Net Assets and the Statement of Activities provide information about the cash activities as a whole.

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

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

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

---

*Basis of Accounting*

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

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the School District as a Whole**

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

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2011, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the School District's general receipts.

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

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

---

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

### **Fund Financial Statements**

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

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

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

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

### **The School District as a Whole**

As stated previously, the Statement of Net Assets looks at the School District as a whole. Table 1 provides a summary of the School District's net assets for the fiscal years ended 2011 and 2010.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

Table 1			
Net Assets			
Governmental Activities			
	2011	2010*	Change
<b>Assets</b>			
Current and Other Assets	\$2,803,044	\$2,908,485	(\$105,441)
Capital Assets, Net	13,778,401	14,281,358	(502,957)
Total Assets	16,581,445	17,189,843	(608,398)
<b>Liabilities</b>			
Long-Term Liabilities	485,000	530,000	(45,000)
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	13,293,401	13,751,358	(457,957)
Restricted	1,164,583	1,122,601	41,982
Unrestricted	1,638,461	1,785,884	(147,423)
Total Net Assets	\$16,096,445	\$16,659,843	(\$563,398)

\*Restated – See Note 3

Total assets decreased \$608,398. Capital assets decreased \$502,957 due to the recognition of \$573,902 in depreciation, offset by additions of \$70,945. This also caused the decrease in invested in capital assets, net of related debt. Unrestricted net assets decreased \$147,423, due mainly to a decrease in equity in pooled cash and cash equivalents, as the School District's disbursements continue to exceed its receipts.

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

Comparative information for fiscal year 2010 is not available since this is the first year the School District implemented the provisions of GASB 34 for financial reporting on a modified cash basis. The School District had reported on a basis in accordance with accounting principles generally accepted in the United States of America for fiscal year 2010.

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

**Bright Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**Unaudited**

Table 2  
Change in Net Assets  
Governmental Activities

	2011
<b>Receipts</b>	
Program Receipts:	
Charges for Services and Sales	\$652,661
Operating Grants, Contributions and Interest	1,470,627
Capital Grants and Contributions	4,000
Total Program Receipts	2,127,288
General Receipts:	
Property Taxes	1,548,718
Grants and Entitlements not Restricted to Specific Programs	4,931,651
Interest	5,888
Miscellaneous	74,026
Total General Receipts	6,560,283
 Total Receipts	 8,687,571
 <b>Program Disbursements</b>	
Instruction:	
Regular	4,077,146
Special	1,078,346
Vocational	200,434
Student Intervention Services	5,362
Support Services:	
Pupils	470,160
Instructional Staff	582,088
Board of Education	46,472
Administration	458,662
Fiscal	308,702
Business	4,776
Operation and Maintenance of Plant	809,699
Pupil Transportation	719,663
Operation of Non-Instructional Services:	
Food Service Operations	367,678
Other	0
Extracurricular Activities	99,535
Interest and Fiscal Charges	22,246
Total Disbursements	9,250,969
Change in Net Assets	(563,398)
Net Assets at Beginning of Year (Restated - See Note 3)	16,659,843
Net Assets at End of Year	\$16,096,445

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

**Governmental Activities**

Grants and Entitlements not Restricted to Specific Programs made up 57 percent of cash receipts for governmental activities. Property tax receipts made up 18 percent of the total cash receipts for a total of 75 percent of the School District cash receipts.

Regular instruction comprises 44 percent of governmental program cash disbursements.

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

Comparative information for 2010 was not available since this is the first year the School District implemented the provisions of GASB 34 for financial reporting on a modified cash basis. In fiscal year 2010, the School District reported on a basis in accordance with accounting principles generally accepted in the United States of America.

Table 3  
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011
	Instruction	\$5,361,288
Support Services	3,400,222	3,051,307
Operation of Non- Instructional Services	367,678	(3,270)
Extracurricular Activities	99,535	70,389
Interest and Fiscal Charges	22,246	22,246
<b>Total Expenses</b>	<b>\$9,250,969</b>	<b>\$7,123,681</b>

**The School District's Funds**

Information about the School District's major governmental funds begins on page 14. These funds are reported using the modified cash basis of accounting. All governmental funds had total receipts of \$8,687,571 and disbursements of \$8,785,866. The net change in fund balance was most significant in the General Fund, a decrease of \$51,467. The School District is working diligently to maintain costs while General Fund receipts remain stagnant. However, with no additional funding, the disbursements will continue to exceed receipts in future fiscal years.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

---

The Debt Service Fund saw an increase in fund balance this fiscal year of \$14,702, due to property taxes and intergovernmental receipts slightly exceeding debt service payments.

**General Fund – Budget Highlights**

The School District's budget is prepared according to the requirements of Ohio law, and is based on cash receipts, disbursements and encumbrances. During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

The School District's ending unobligated cash balance was \$375,222 above the final budgeted amount for the General Fund.

For the General Fund, original budgeted receipts were \$6,961,060 and final budgeted receipts were \$6,906,938. This represents a decrease in estimated receipts of \$54,122, which was primarily due to a decrease in property tax receipt offset by increases in intergovernmental receipts and tuition and fees. The difference between actual budget basis receipts and final budgeted receipts was (\$19,498), which was due to decreases in property taxes and interest offset by an increase in intergovernmental receipts and tuition and fees.

Original budgeted disbursements in the General Fund were \$7,408,366 and final budgeted disbursements were \$7,543,703. This represents an increase in estimated disbursements of \$135,337, due to overall increases in disbursements during the fiscal year. The difference between actual budget basis disbursements and final budgeted disbursements was \$360,714, which was primarily due to the School District's efforts to monitor and cut costs in all possible areas.

**Capital Assets and Debt Administration**

***Capital Assets***

The Bright Local School District's investment in capital assets as of June 30, 2011 was \$13,778,401. The investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010.

**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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

	2011	2010
Land	\$192,775	\$192,775
Construction in Progress	33,126	0
Land Improvements	236,404	271,343
Buildings and Building Improvements	12,677,733	13,087,431
Furniture, Fixtures and Equipment	329,338	356,584
Vehicles	309,025	373,225
Totals	<u>\$13,778,401</u>	<u>\$14,281,358</u>

Net capital assets decreased \$502,957 from the prior fiscal year. This is due to depreciation expense of \$573,902, offset by additions of capital assets of \$70,945.

For more information on capital assets, refer to note 9 to the basic financial statements.

**Debt**

At June 30, 2011, the School District had \$485,000 in bonds outstanding, with \$45,000 due within one year. Table 5 summarizes the bonds outstanding at fiscal year-end.

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

	2011	2010
General Obligation Bonds:		
2010 School Improvement Refunding Bonds	\$315,000	\$325,000
1998 School Improvement Bonds	170,000	205,000
Totals	<u>\$485,000</u>	<u>\$530,000</u>

The School District's overall legal debt margin was \$7,319,189 with an unvoted debt margin of \$79,482 at June 30, 2011.

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



**Bright Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

---

**Financial Issues/Concerns**

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

The School District has received an 'Effective' rating on our State Report Card for the last three fiscal years. Our hopes are that this rating will attract additional students and thereby increase our State funding. To help offset reductions in receipts, The School District closely monitors our staffing needs and makes appropriate changes to meet those needs. Whenever possible, the School District will not replace staff that retire or leave the School District's employment.

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

School District personnel continue to seek grant funding, however grants have become more limited and more competitive. The School District will experience a significant decrease in grant funding due to the loss of the ARRA funds at the end of fiscal year 2011.

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

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

**Bright Local School District**  
Statement of Net Assets - Modified Cash Basis  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,803,044
Capital Assets:	
Land	192,775
Construction in Progress	33,126
Depreciable Capital Assets, Net	<u>13,552,500</u>
<i>Total Assets</i>	<u>16,581,445</u>
<b>Liabilities</b>	
Due Within One Year	45,000
Due in More Than One Year	<u>440,000</u>
<i>Total Liabilities</i>	<u>485,000</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	13,293,401
Restricted for:	
Capital Projects	167,211
Debt Service	650,842
Set-Asides	22,449
Other Purposes	324,081
Unrestricted	<u>1,638,461</u>
<i>Total Net Assets</i>	<u><u>\$16,096,445</u></u>

See accompanying notes to the basic financial statements



**Bright Local School District**  
 Balance Sheet - Modified Cash Basis  
 Governmental Funds  
 June 30, 2011

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,470,383	\$650,842	\$491,292	\$2,612,517
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,449	0	0	22,449
<i>Total Assets</i>	<u>\$1,492,832</u>	<u>\$650,842</u>	<u>\$491,292</u>	<u>\$2,634,966</u>
<b>Fund Balances</b>				
Restricted	0	650,842	491,292	1,142,134
Assigned	265,131	0	0	265,131
Unassigned	1,227,701	0	0	1,227,701
<i>Total Fund Balances</i>	<u>\$1,492,832</u>	<u>\$650,842</u>	<u>\$491,292</u>	<u>\$2,634,966</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities - Modified Cash Basis  
 June 30, 2011

**Total Governmental Fund Balances** \$2,634,966

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

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

Land	192,775	
Construction in progress	33,126	
Other capital assets	22,227,674	
Accumulated depreciation	<u>(8,675,174)</u>	
Total capital assets		13,778,401

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets: 168,078

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

Bonds payable	<u>(485,000)</u>
---------------	------------------

**Net Assets of Governmental Activities** \$16,096,445

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$1,449,779	\$70,549	\$28,390	\$1,548,718
Intergovernmental	4,905,801	13,751	1,480,872	6,400,424
Interest	5,543	0	665	6,208
Tuition and Fees	500,131	0	0	500,131
Rent	8,160	0	0	8,160
Extracurricular Activities	0	0	23,612	23,612
Gifts and Donations	0	0	5,534	5,534
Customer Sales and Services	0	0	120,758	120,758
Miscellaneous	52,032	0	21,994	74,026
<i>Total Receipts</i>	<u>6,921,446</u>	<u>84,300</u>	<u>1,681,825</u>	<u>8,687,571</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,525,604	0	354,456	3,880,060
Special	653,567	0	383,969	1,037,536
Vocational	190,724	0	4,000	194,724
Student Intervention Services	5,362	0	0	5,362
Support Services:				
Pupils	375,685	0	83,810	459,495
Instructional Staff	219,361	0	327,502	546,863
Board of Education	31,347	0	0	31,347
Administration	423,660	0	7,300	430,960
Fiscal	288,763	2,352	1,896	293,011
Business	4,776	0	0	4,776
Operation and Maintenance of Plant	562,445	0	222,619	785,064
Pupil Transportation	581,420	0	2,032	583,452
Operation of Non-Instructional Services:				
Food Service Operations	0	0	331,019	331,019
Extracurricular Activities	74,452	0	24,752	99,204
Capital Outlay	2,621	0	33,126	35,747
Debt Service				
Principal Retirement	0	45,000	0	45,000
Interest and Fiscal Charges	0	22,246	0	22,246
<i>Total Disbursements</i>	<u>6,939,787</u>	<u>69,598</u>	<u>1,776,481</u>	<u>8,785,866</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,341)</u>	<u>14,702</u>	<u>(94,656)</u>	<u>(98,295)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	230,629	0	263,755	494,384
Advances Out	<u>(263,755)</u>	<u>0</u>	<u>(230,629)</u>	<u>(494,384)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(33,126)</u>	<u>0</u>	<u>33,126</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(51,467)	14,702	(61,530)	(98,295)
<i>Fund Balances at Beginning of Year - (Restated - See Note 3)</i>	<u>1,544,299</u>	<u>636,140</u>	<u>552,822</u>	<u>2,733,261</u>
<i>Fund Balances at End of Year</i>	<u>\$1,492,832</u>	<u>\$650,842</u>	<u>\$491,292</u>	<u>\$2,634,966</u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
 Reconciliation of the Change in Fund Balances of Governmental Funds  
 to the Statement of Activities - Modified Cash Basis  
 For the Fiscal Year Ended June 30, 2011

**Net Change in Fund Balances - Total Governmental Funds** (\$98,295)

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

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

Capital asset additions	70,945	
Depreciation expense	<u>(573,902)</u>	
Excess of capital outlay under depreciation expense		(502,957)

The Internal Service Fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide Statement of Activities (7,146)

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

Bond payments	<u>45,000</u>	
---------------	---------------	--

**Change in Net Assets of Governmental Activities** (\$563,398)

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property Taxes	\$1,766,583	\$1,566,750	\$1,449,779	(\$116,971)
Intergovernmental	4,654,498	4,785,061	4,894,651	109,590
Interest	27,722	28,500	5,543	(22,957)
Tuition and Fees	445,018	457,501	500,131	42,630
Rent	9,727	10,000	8,160	(1,840)
Extracurricular Activities	5,836	6,000	4,074	(1,926)
Customer Sales and Services	9,727	10,000	3,669	(6,331)
Miscellaneous	41,949	43,126	21,433	(21,693)
<i>Total Receipts</i>	<u>6,961,060</u>	<u>6,906,938</u>	<u>6,887,440</u>	<u>(19,498)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,047,652	3,100,422	2,635,225	465,197
Special	583,176	598,875	671,661	(72,786)
Vocational	184,796	189,458	194,864	(5,406)
Student Intervention Services	55,099	56,084	5,362	50,722
Other	849,417	881,103	996,193	(115,090)
Support Services:				
Pupils	373,363	384,153	379,805	4,348
Instructional Staff	205,361	210,573	220,564	(9,991)
Board of Education	59,066	48,225	42,585	5,640
Administration	423,284	430,117	435,261	(5,144)
Fiscal	275,578	282,024	292,323	(10,299)
Business	9,475	7,370	7,796	(426)
Operation and Maintenance of Plant	573,922	573,364	627,254	(53,890)
Pupil Transportation	455,257	457,710	596,959	(139,249)
Extracurricular Activities	158,481	164,025	74,516	89,509
Capital Outlay	154,439	160,200	2,621	157,579
<i>Total Disbursements</i>	<u>7,408,366</u>	<u>7,543,703</u>	<u>7,182,989</u>	<u>360,714</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(447,306)</u>	<u>(636,765)</u>	<u>(295,549)</u>	<u>341,216</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	1,828	1,828
Refund of Prior Year Expenditures	0	0	32,178	32,178
Advances In	0	280,629	230,629	(50,000)
Advances Out	0	(313,755)	(263,755)	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(33,126)</u>	<u>880</u>	<u>34,006</u>
<i>Net Change in Fund Balance</i>	(447,306)	(669,891)	(294,669)	375,222
<i>Fund Balance at Beginning of Year</i>	1,408,350	1,408,350	1,408,350	0
<i>Prior Year Encumbrances Appropriated</i>	<u>135,949</u>	<u>135,949</u>	<u>135,949</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,096,993</u>	<u>\$874,408</u>	<u>\$1,249,630</u>	<u>\$375,222</u>

See accompanying notes to the basic financial statements



**Bright Local School District**  
Statement of Fund Net Assets - Modified Cash Basis  
Internal Service Fund  
June 30, 2011

	<u>Self-Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$168,078</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$168,078</u></u>

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Receipts, Disbursements  
and Changes in Fund Net Assets - Modified Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2011

	Self-Insurance
<b>Operating Receipts</b>	
Charges for Services	\$80,620
<b>Operating Disbursements</b>	
Purchased Services	4,604
Claims	83,162
<i>Total Operating Disbursements</i>	87,766
<i>Change in Net Assets</i>	(7,146)
<i>Net Assets at Beginning of Year</i> <i>(Restated - See Note 3)</i>	175,224
<i>Net Assets at End of Year</i>	\$168,078

See accompanying notes to the basic financial statements

**Bright Local School District**  
Statement of Cash Flows - Modified Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2011

<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	<b>Self-Insurance</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Quasi-External	
Transactions With Other Funds	\$80,620
Cash Payments to Suppliers for Goods and Services	(4,604)
Cash Payments for Claims	(83,162)
<i>Net Cash Used for Operating Activities</i>	(7,146)
<i>Cash and Cash Equivalents at Beginning of Year</i>	175,224
<i>Cash and Cash Equivalents at End of Year</i>	\$168,078

See accompanying notes to the general purpose financial statements

**Bright Local School District**  
Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
June 30, 2011

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$15,532</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$15,532</u>

See Accompanying Notes to the Basic Financial Statements

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

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

The School District was established in 1968. The School District serves an area of 118 square miles. It is located in Highland County, including all of the Village of Mowrystown, and portions of surrounding townships. The Board of Education controls the School District’s two instructional support facilities staffed by 35 non-certified employees, 58 teaching personnel and 11 administrative employees providing education to 780 students.

Reporting Entity

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

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

The School District participates in four organizations, one of which is defined as a jointly governed organization, two as insurance purchasing pools and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program, and the Brown County School Benefits Consortium. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

As discussed further in Section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**B. Fund Accounting**

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

Governmental Funds

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

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

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

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

Proprietary Fund

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

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

Fiduciary Fund

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

**C. Basis of Accounting**

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

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

**D. Cash and Cash Equivalents**

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



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

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 2011 amounted to \$5,543, which includes \$2,496 from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. The School District had no investments at June 30, 2011.

**E. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

**F. Capital Assets**

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

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

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

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

**G. Long-Term Obligations**

Long-term obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds.

**H. Interfund Transactions**

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

**H. Internal Activity**

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

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

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

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

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

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

**K. Fund Balance**

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

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

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

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

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

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

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

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

**L. Estimates**

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

**M. Accumulated Leave**

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

**N. Budgetary Process**

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

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

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND CHANGE IN BASIS OF ACCOUNTING**

**A. Change in Accounting Principles**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**B. Change in Basis of Accounting**

For 2011, the School District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2C.

The change in accounting principles and change in basis of accounting had the following effects on fund balance of the major and all other governmental funds of the School District as they were previously reported. The effect on net assets of governmental activities is also presented.

	General Fund	Debt Service Fund	All Other Governmental Funds	Total	General Budgetary
Fund Balance, June 30, 2010, as previously reported	\$890,609	\$644,548	\$393,489	\$1,928,646	\$1,399,306
Reclassification of Funds	9,282	0	(9,282)	0	9,044
Eliminate Asset Accruals	(174,172)	(8,408)	(261,502)	(444,082)	0
Eliminate Liability Accruals	818,580	0	430,117	1,248,697	0
Fund Balance, June 30, 2010, as restated	<u>\$1,544,299</u>	<u>\$636,140</u>	<u>\$552,822</u>	<u>\$2,733,261</u>	<u>\$1,408,350</u>

	Internal Service Fund
Net Assets, June 30, 2010, as previously reported	\$163,200
Eliminate Liability Accruals	12,024
Fund Balance, June 30, 2010, as restated	<u>\$175,224</u>

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND CHANGE IN BASIS OF ACCOUNTING** (continued)

Governmental Activities Net Assets June 30, 2010	\$15,751,872
Eliminate Government-Wide Financial Statement Adjustments:	
Inventory Held for Resale	(1,721)
Materials and Supplies Inventory	(424)
Intergovernmental Receivable	(156,633)
Deferred Charges	(10,036)
Property Taxes Receivable	(1,674,624)
Accounts Payable	18,221
Accrued Interest Payable	2,044
Accrued Wages and Benefits Payable	625,836
Matured Compensated Absences Payable	25,944
Intergovernmental Payable	438,572
Claims Payable	12,024
Compensated Absences	205,228
Accretion on Capital Appreciation Bonds	233
Loss on Refunding	18,292
Premium on Debt Issuance	(8,256)
Deferred Revenue	1,413,271
Net Assets, June 30, 2010, as restated	\$16,659,843

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – budget basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are: outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis).

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

Net Change in Fund Balance	
Modified Cash Basis	(\$51,467)
Encumbrances	(243,202)
Budget Basis	(\$294,669)

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 5 – COMPLIANCE**

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

**NOTE 6 – FUND BALANCES**

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

Fund Balances	General	Debt Service	All Other Governmental Funds	Total
<b><i>Restricted for</i></b>				
Debt Payments	\$0	\$650,842	\$0	\$650,842
Food Service Operations	0	0	181,676	181,676
Miscellaneous Grants	0	0	1,820	1,820
Classroom Facilities	0	0	74,170	74,170
District Managed Activity	0	0	7,136	7,136
Teacher Quality	0	0	872	872
Title VI-B	0	0	3,932	3,932
Fiscal Stabilization	0	0	42,623	42,623
Title I	0	0	8,809	8,809
Education Jobs	0	0	3,043	3,043
Capital Improvements	0	0	167,211	167,211
<b><i>Total Restricted</i></b>	<b>0</b>	<b>650,842</b>	<b>491,292</b>	<b>1,142,134</b>
<b><i>Assigned to</i></b>				
Budget Stabilization	22,449	0	0	22,449
Other Purposes	242,682	0	0	242,682
<b><i>Total Assigned</i></b>	<b>265,131</b>	<b>0</b>	<b>0</b>	<b>265,131</b>
<b><i>Unassigned</i></b>	<b>1,227,701</b>	<b>0</b>	<b>0</b>	<b>1,227,701</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,492,832</b>	<b>\$650,842</b>	<b>\$491,292</b>	<b>\$2,634,966</b>

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 7 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 7 - DEPOSITS AND INVESTMENTS** (continued)

7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

The School District had no investments at June 30, 2011.

**Deposits**

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

As of June 30, 2011, the District's bank balance of \$2,992,693 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

**NOTE 8 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 8 - PROPERTY TAXES** (continued)

December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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 Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$72,902,810	92.56%	\$73,337,620	92.27%
Public Utility Personal	5,774,340	7.33%	6,144,010	7.73%
General Business Personal	87,665	0.11%	0	0.00%
Total Assessed Value	<u>\$78,764,815</u>	<u>100.00%</u>	<u>\$79,481,630</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$27.20		\$27.20	

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Deductions	Balance at 6/30/11
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$192,775	\$0	\$0	\$192,775
Construction in Progress	0	33,126	0	33,126
Total Capital Assets Not Being Depreciated	<u>192,775</u>	<u>33,126</u>	<u>0</u>	<u>225,901</u>
Capital Assets Being Depreciated:				
Land Improvements	804,677	17,096	0	821,773
Buildings and Building Improvements	18,736,398	6,815	0	18,743,213
Furniture, Fixtures and Equipment	1,642,566	13,908	(8,285)	1,648,189
Vehicles	1,014,499	0	0	1,014,499
Total Capital Assets Being Depreciated	<u>22,198,140</u>	<u>37,819</u>	<u>(8,285)</u>	<u>22,227,674</u>
Less Accumulated Depreciation:				
Land Improvements	(533,334)	(52,035)	0	(585,369)
Buildings and Building Improvements	(5,648,967)	(416,513)	0	(6,065,480)
Furniture, Fixtures and Equipment	(1,285,982)	(41,154)	8,285	(1,318,851)
Vehicles	(641,274)	(64,200)	0	(705,474)
Total Accumulated Depreciation	<u>(8,109,557)</u>	<u>(573,902) *</u>	<u>8,285</u>	<u>(8,675,174)</u>
Total Capital Assets Being Depreciated, Net	<u>14,088,583</u>	<u>(536,083)</u>	<u>0</u>	<u>13,552,500</u>
Governmental Activities Capital Assets, Net	<u>\$14,281,358</u>	<u>(\$502,957)</u>	<u>\$0</u>	<u>\$13,778,401</u>

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

Instruction:	
Regular	\$197,716
Special	49,051
Vocational	10,556
Support Services:	
Pupils	10,529
Instructional Staff	34,762
Board of Education	15,017
Administration	27,214
Fiscal	15,507
Operation and Maintenance of Plant	41,774
Pupil Transportation	135,036
Operation of Non-Instructional Services	36,409
Extracurricular Activities	331
Total Depreciation Expense	<u>\$573,902</u>

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with the Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program (Note 16) for general liability, property, and fleet insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**B. Workers' Compensation**

For fiscal year 2011, 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Vision and Dental Benefits**

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

	2011	2010
Cash	\$ 168,078	\$ 175,224
Estimated Liabilities	\$ 8,122	\$ 12,024

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (Continued)

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to

fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$93,549, \$117,397, and \$84,818, respectively; the full amount was contributed for all three fiscal years.

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (Continued)

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

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$410,744, \$404,663, and \$401,934, respectively; the full amount has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2011 were not yet available.

**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, 2011, all of the School District's members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$29,699, \$22,598, and \$57,478, respectively; the full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,020, \$6,981, and \$6,998, respectively; the full amount has been contributed for all three fiscal years.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$31,596, \$31,128, and \$30,918, respectively; the full amount has been contributed for all three fiscal years.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life and Accident Insurance**

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

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
2010 School Improvement Refunding Bonds					
Term Bonds 2.9% - 3.7%	\$310,000	\$0	\$10,000	\$300,000	\$5,000
Capital Appreciation Bonds - 3.7%	15,000	0	0	15,000	0
1998 School Improvement Bonds - 5.4064%	205,000	0	35,000	170,000	40,000
Total Governmental Long-Term Liabilities	<u>\$530,000</u>	<u>\$0</u>	<u>\$45,000</u>	<u>\$485,000</u>	<u>\$45,000</u>

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



**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

In April 2010, the School District issued \$325,000 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. \$310,000 were term bonds and \$15,000 was a capital appreciation bond. This was a current refunding. The bonds were issued for a 10 year period, with final maturity in December 2020. The bonds were issued at a premium of \$18,589 and had related issuance costs of \$10,199. Both amounts will be amortized over the 12 year life of the bonds. The refunding resulted in a difference of \$8,390 between the net carrying amount of the debt and the acquisition price. The current year premium reduction was \$1,663 leaving an outstanding balance of \$16,629. The current year deferred gain on the refunding reduction was \$751 leaving an outstanding balance of \$7,505.

The capital appreciation bonds will mature in fiscal year 2018. The maturity amount of the capital appreciation bonds will be \$55,000. For fiscal year 2011, the capital appreciation bonds were accreted \$1,418 resulting in a balance of \$1,651 for accretion on capital appreciation bonds.

The School District's overall legal debt margin was \$7,319,189 with an unvoted debt margin of \$79,482 at June 30, 2011.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal year Ending June 30,	1998 School Improvement Bonds		2010 School Improvement Bonds				Total
	Principal	Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	
2012	\$40,000	\$8,700	\$5,000	\$10,028	\$0	\$0	\$63,728
2013	40,000	6,380	5,000	9,883	0	0	61,263
2014	45,000	3,915	5,000	9,738	0	0	63,653
2015	45,000	1,305	5,000	9,592	0	0	60,897
2016	0	0	50,000	8,795	0	0	58,795
2017-2021	0	0	230,000	23,645	15,000	40,000	308,645
Total	\$170,000	\$20,300	\$300,000	\$71,681	\$15,000	\$40,000	\$616,981

**NOTE 15 - JOINTLY GOVERNED ORGANIZATION**

**South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$131,255 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 16 - INSURANCE PURCHASING POOLS**

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

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

**B. Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program**

The School District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

**NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County School Benefits Consortium**

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

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

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

	Textbooks and Instructional Materials	Capital Acquisitions	Budget Stabilization
Set-aside Balance as of June 30, 2010	(\$190,658)	\$0	\$22,449
Current Fiscal Year Set-aside Requirement	105,810	105,810	0
Qualifying Disbursements	(89,456)	(174,712)	0
Totals	<u>(\$174,304)</u>	<u>(\$68,902)</u>	<u>\$22,449</u>
Set-aside Balance Carried			
Forward to Future Fiscal Years	<u>(\$174,304)</u>	<u>\$0</u>	<u>\$22,449</u>
Set-aside Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$22,449</u>

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

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**Bright Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

---

**NOTE 19 – CONTINGENCIES** (Continued)

**B. Litigation**

The School District is not currently party to legal proceedings.

**NOTE 20 – SUBSEQUENT EVENT**

The School District issued \$378,000 in General Obligation Energy Conservation Improvement Bonds on August 10, 2011. The bonds were issued for a 15-year period.

Bright Local School District  
Highland County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 79,868	\$ -	\$ 79,868	
National School Lunch Program	3L60	10.555	165,248	20,479	165,248	20,479
Total - Nutrition Cluster			245,116	20,479	245,116	20,479
<b>Total United States Department of Agriculture</b>			245,116	20,479	245,116	20,479
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	147,683		143,325	
Special Education - Preschool Grants	3C50	84.173	1,876		1,876	
Special Education Grants to States-ARRA	3DJ0	84.391	98,412		97,578	
Special Education - Preschool Grants,-ARRA	3DL0	84.392	1,224		1,224	-
Total Special Education Cluster			249,195	-	244,003	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	308,131		301,663	
Title I Grants to Local Educational Agencies- ARRA	3DK0	84.389	102,894		101,209	
Total Title I, Part A Cluster			411,025	-	402,872	-
Safe and Drug-Free Schools and Communities, State Grants	3D10	84.186	1,769		1,874	-
Education Jobs Fund	3ET0	84.410	30,600		27,556	
Rural Education	3Y80	84.358	19,927		20,037	
Educational Technology State Grants	3S20	84.318	1,497		1,591	-
Improving Teacher Quality State Grants	3Y60	84.367	63,662		62,965	-
State Fiscal Stabilization Fund (SFSF) - Education State Grants-ARRA	GRF	84.394	385,246		348,803	-
<b>Total United States Department of Education</b>			1,162,921	-	1,109,701	-
<b>Corporation for National and Community Service</b>						
<i>Passed through Ohio Department of Education</i>						
Learn and Serve America, School and Community Based Programs	3780	94.004	16,659	-	15,372	-
<b>Total Corporation for National and Community Service</b>			16,659	-	15,372	-
<b>Total Federal Financial Assistance</b>			\$ 1,424,696	\$ 20,479	\$ 1,370,189	\$ 20,479

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

*Bright Local School District*  
Highland County

**Notes to the Schedule of Federal Awards Receipts and Expenditures  
for the Fiscal Year Ended June 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

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



# Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bright Local School District, Highland County, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2011, wherein we noted the District implemented GASB Statement No.54 and revised its basis of accounting from accounting principles generally accepted in the United States of America to the modified cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

### Internal Control over Financial Reporting

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

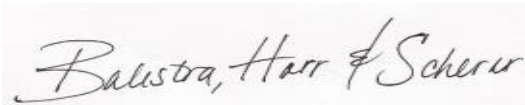
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2011-001.

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

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

Balestra, Harr & Scherer, CPAs, Inc.  
October 21, 2011





# Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

Members of the Board of Education  
Bright Local School District  
44 North High St.  
Mowrystown, Ohio 45155

### Compliance

We have audited the compliance of Bright Local School District, Highland County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Bright Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Bright Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance


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

Members of the Board of Education  
Bright Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control over Compliance Required by OMB Circular A-133  
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
October 21, 2011

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

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster:</u> School Breakfast Program- CFDA# 10.553 National School Lunch Program- CFDA# 10.555  <u>Title I Cluster:</u> Title I- CFDA# 84.010 Title I, ARRA- CFDA#84.389  State Fiscal Stabilization Fund,ARRA- CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Bright Local School District  
Highland County, Ohio**  
**Schedule of Findings**  
**OMB Circular A-133 Section §.505**  
**June 30, 2011**

---

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

**FINDING NUMBER 2011-001**

**Material Noncompliance Citation**

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

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

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

***Client Response:***

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

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

**None noted**



# Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

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

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Revised Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2011

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**BRIGHT LOCAL SCHOOL DISTRICT**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 15, 2011**