



**Auditor of State
Betty Montgomery**

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	1
Independent Accounts' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Federal Awards Receipts and Expenditures Schedule.....	5
Notes to the Federal Awards Receipts and Expenditures Schedule	6
Schedule of Findings.....	7

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Highland Local School District
Medina County
3880 Ridge Road
Medina, Ohio 44256

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 20, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 20, 2005, we reported a matter related to noncompliance we deemed immaterial.

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

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

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

Betty Montgomery
Auditor of State

December 20, 2005



Auditor of State Betty Montgomery

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

Highland Local School District
Medina County
3880 Ridge Road
Medina, Ohio 44256

To the Board of Education:

Compliance

We have audited the compliance of Highland Local School District, Medina County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Highland Local School District, Medina County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 20, 2005.

Federal Awards Receipts and Expenditures Schedule

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 20, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 20, 2005

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	048496-6BSF-2004	84.027	\$51,458		\$50,140	
	048496-6BSF-2005		433,574		385,651	
Total Special Education -Grants to States			485,032		435,791	
Special Education - Preschool Grants	048496-PGS1-2005	84.173	12,030		11,901	
Total Special Education Cluster			497,062		447,692	
Title I Grants to Local Educational Agencies	048496-C1S1-2004	84.010	2,664		7,456	
Innovative Education Program Strategies	048496-C2S1-2005	84.298	11,055		11,055	
Safe and Drug-Free Schools and Communities-State Grants	048496-DRS1-2004	84.186	3,050		0	
	048496-DRS1-2005		7,168		7,168	
Total Safe and Drug-Free Schools and Communities-State Grants			10,218		7,168	
Education Technology State Grants	048496-TJS1-2004	84.318	0		162	
Improving Teacher Quality State Grants	048496-TRS1-2004	84.367	7,986		8,979	
	048496-TRS1-2005		46,285		44,773	
Total Improving Teacher Quality State Grants			54,271		53,752	
Total U.S. Department of Education			575,270		527,285	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550		\$28,310		\$26,715
National School Lunch Program	048496-LLP4-2004	10.555	8,765		8,765	
National School Lunch Program	048496-LLP4-2005	10.555	31,851		31,851	
Total U.S. Department of Agriculture - Child Nutrition Cluster			40,616	28,310	40,616	26,715
Totals			\$615,886	\$28,310	\$567,901	\$26,715

The accompanying notes are an integral part of this schedule.

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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; however the District has elected to track these contributions which are reported on the Schedule at the fair market value of the commodities received and consumed.

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, CFDA 84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

HIGHLAND LOCAL SCHOOL DISTRICT

MEDINA, OHIO



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005



Highland Local School District

Medina, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

<p>Prepared By: Mary M. Markle, Treasurer and Treasurer's Office Staff</p>
--

Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005

Table of Contents

Introductory Section	Page
Letter of Transmittal.....	v
Public Officials Roster	xi
Organizational Chart	xii
Certificate of Achievement.....	xiii
Financial Section	
Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to	
Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget (Non-GAAP Basis) and Actual – General Fund.....	18
Statement of Fund Net Assets – Internal Service Fund.....	19
Statement of Revenue, Expenses and Changes in Fund Net Assets –	
Internal Service Fund	20
Statement of Cash Flows – Internal Service Fund	21
Statement of Fiduciary Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund.....	23
Notes to the Basic Financial Statements.....	24
Combining Statements for Nonmajor Governmental Funds	
Fund Descriptions.....	48
Combining Balance Sheet – Nonmajor Governmental Funds.....	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Governmental Funds	53
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Special Revenue Funds	58
Combining Balance Sheet – Nonmajor Capital Projects Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Capital Projects Funds.....	63

Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005

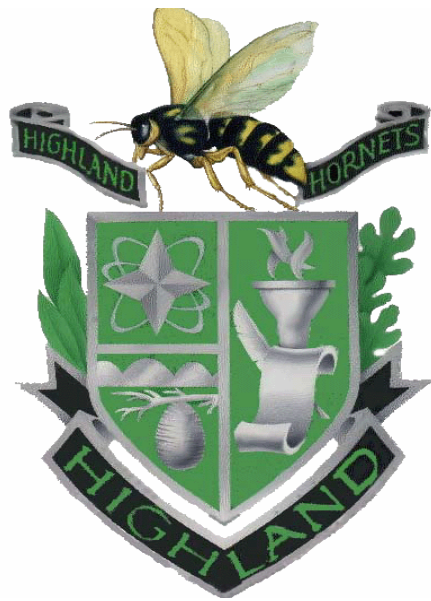
Table of Contents
(Continued)

	Page
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Governmental Funds – Major and Nonmajor:	64
Debt Service Fund	65
Food Service Fund.....	66
Special Trust Fund.....	67
Uniform School Supplies Fund	67
Public School Support Fund.....	68
Miscellaneous Local Grant Fund.....	69
Latchkey Fund.....	70
Underground Storage Tanks Fund	70
District Managed Student Activity Fund.....	71
Management Information Systems Fund.....	72
Entry Year Programs Fund.....	72
Data Communications Fund	73
SchoolNet Professional Development Fund.....	73
Ohio Reads Fund.....	74
Student Reading Intervention Fund.....	74
IDEA Part B Fund	75
Title I Fund.....	75
Title V Fund	76
Drug-Free Schools Fund	76
EHA Preschool Grant for Handicapped Fund	77
Improving Teacher Quality Fund.....	77
Miscellaneous Federal Grants Fund	78
Permanent Improvement Fund	79
Building Fund.....	79
School Net.....	80
Individual Fund Schedules of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual Internal Service Fund and Fiduciary Fund:	81
Self Insurance Fund.....	82
Endowment Fund	83
Statement of Changes in Assets and Liabilities – Agency Fund.....	84
 Statistical Section	
Revenues by Source and Expenses by Function – Governmental Activities Last Three Fiscal Years.....	85
General Governmental Revenues by Source and Expenditures by Function - Last Ten Fiscal Years.....	86
Property Tax Levies and Collections Real, Public Utility Tax and Tangible Personal Property- Last Ten Calendar Years	88

Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005

Table of Contents
(Continued)

	Page
Assessed Valuation and Estimated Actual Value of Taxable	
Property - Last Ten Collection Years	89
Property Tax Rates - Direct and Overlapping Governments - Last Ten Calendar Years.....	90
Computation of Legal Debt Margin	92
Ratio of Net General Obligation Bonded Debt to Assessed Value and	
Net General Obligation Bonded Debt per Capita - Last Ten Fiscal Years.....	93
Ratio of Annual Debt Service Expenditures for General Obligation	
Bonded Debt to Total Governmental Expenditures - Last Ten Fiscal Years	94
Demographic Statistics	95
Property Values, Bank Deposits and Construction - Last Ten Calendar Years	96
Principal Taxpayers	97
Computation of Direct and Overlapping Bonded Debt	98
Directory of School Facilities.....	99
Miscellaneous Statistics - Last Ten Fiscal Years	100



INTRODUCTORY SECTION



Highland Local Schools

3880 Ridge Road, Medina, Ohio 44256
Phone: (330) 239-1901 Fax (330) 239-2456

December 20, 2005

Highland Board of Education Members and
The Citizens of the Highland Local School District:

The Comprehensive Annual Financial Report (CAFR) of the Highland Local School District (the "School District"), for the fiscal year ended June 30, 2005, is hereby submitted. This report, prepared by the Treasurer's Office, includes financial statements, supplemental statements, and other financial and statistical information to provide complete and full disclosure of all material financial aspects of the School District for the 2004-2005 fiscal year.

The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District's management. To the best of our knowledge and belief, this CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District.

This CAFR, which includes an opinion from the Ohio Auditor of State, conforms to generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB) and is representative of the School District's commitment to provide meaningful information to the citizens of the Highland Local School District.

The arrangement of this CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes a table of contents, this transmittal letter, a list of principal officials, the School District's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2004.

The Financial Section includes the Independent Accountants' Report, Management's Discussion and Analysis, the basic financial statements, notes that provide an overview of the School District's financial position and operating results, the combining statements of nonmajor funds, and other schedules that provide detailed information relative to the basic financial statements.

The Statistical Section, which is unaudited, includes selective financial, economic, and demographic information, generally presented on a multi-year basis for comparative purposes.

Copies of this report will be widely distributed throughout the School District. A copy will be sent to all school buildings, Board of Education members, major taxpayers, Financial Rating Services, the School District's Financial Advisory Panel, and other interested parties.

DESCRIPTION OF THE SCHOOL DISTRICT

Nestled among the rolling hills and extensive 900-acre park system of Medina County, the Highland Local School District offers its students a progressive, achievement-oriented educational program within a country living atmosphere.

The sprawling 79-square mile School District is located in the eastern portion of Medina County with a small portion located in Summit County. The School District educates students from picturesque Hinckley, Granger, Sharon, Montville, Copley, Medina and Brunswick townships. Interstates 71 and 271 and State Routes 18 and 94 provide easy access to the area. Major hospitals, Cleveland Hopkins Airport, and over ten institutions of higher learning are within a forty-five minute drive. The School District's communities are predominantly rural-residential. The socio-economic make-up ranges from middle to upper income.

The Highland Local School District's main townships are rich in history. The lands were part of the Connecticut Western Reserve. Granger and Sharon Townships were laid out in 1816; Hinckley Township was formed in 1819. Each township was quick to recognize the importance of education to its children; the people agreed that the schoolhouse was a "thing of necessity."

Granger became a centralized school district in 1900, meaning that the one-room schoolhouses were abandoned for one central school. Granger continued to have a single township school district until 1950 when Granger and Sharon districts joined. In 1952, Hinckley was added to create the Highland Local School District.

These original school buildings were replaced in subsequent years. The Hinckley Elementary School building was constructed in 1952, the Sharon Elementary School and Granger Elementary School buildings were constructed in 1957, and the Highland Middle School was constructed in 1962. Due to increases in enrollment renovations and additions were made to these buildings throughout the years to modernize and increase classroom space.

The award winning new Highland High School building was opened in the fall of 2004. The building received the Outstanding Design award from the Council of Educational Facility Planners International and School Planning & Management magazine.

The School District provides a wide array of programs to the students. These programs include; instructional, support services, non-instructional services, and extracurricular activities. The instructional programs provide; regular instruction from kindergarten through twelfth grade, special education for students with learning disabilities and other disabilities, and vocational education to train students for a career. Support services are divided into services that; directly support the instructional programs, provide administrative and fiscal activities, maintenance of buildings and grounds, and pupil transportation. Non-instructional services provide a food service operation for pupils and community activities. The extracurricular activities are designed to enhance the instructional experience for pupils and include student organizations and athletic activities.

As of June 30, 2005, the School District had 2,914 public students enrolled in five schools: Sharon Elementary, Hinckley Elementary, Granger Elementary, Highland Middle School housing grades 6 through 8, and the new, award winning, Highland High School, a comprehensive high school for grades 9 through 12. The School District also operates other facilities including a bus garage, maintenance facility, and several sports fields. 70 of the 2,914 students in the School District attended the Medina County Career Center during the 2004-2005 school year.

Following a period of decline in the mid 1980's, the enrollment in the School District, as of the June 2005 count, has grown more than 50 percent since 1990 when enrollment was at 1,846. Enrollment is expected to continue to increase in the future. The School District's academic ranking, new major housing developments and several smaller ones are attracting an increasing number of young families with children to the community.

ORGANIZATION OF THE SCHOOL DISTRICT

The Board of Education (the "Board") of the School District is comprised of five members elected at large by the citizens of the School District. The Board serves as the taxing authority, contracting body, and policy initiator for the operation of the School District. The Board is responsible for the adoption of the tax budget, the annual operating budget, and approves all expenditures of the School District. The Board is a body politic and corporate, as defined by Section 3313.02 of the Ohio Revised Code, and has only those powers and authority conferred upon it by the Ohio Revised Code. Current members include, Trent Smith, President, Bob Kelly, Vice President, Nancy Wingenbach, Ruth Abboud, and Robert Senkar. Combined, these individuals have served the Highland Local School District for 41 years.

The Superintendent is the chief executive officer of the School District and is responsible directly to the Board for all operations within the School District. Dr. Bruce W. Armstrong was appointed Superintendent on August 1, 2000. He was originally given a three-year contract, which ended on July 31, 2003. On February 19, 2002, Dr. Armstrong was given a five-year contract extension. Dr. Armstrong has a total of twenty-eight years' experience in education.

The Treasurer is the chief financial officer of the School District and is responsible directly to the Board for all financial operations, investments, custody of all School District funds and assets, and serves as Secretary to the Board. Mrs. Mary M. Markle was initially appointed Treasurer of the School District on October 1, 1985. Mrs. Markle came into the School District with a total of five years' experience as a school treasurer. Mrs. Markles' current contract will expire on the date of the Organizational Meeting of the Board of Education in January 2008.

All other School District employees are responsible to the Superintendent and are employed by the Board upon the recommendation of the Superintendent.

REPORTING ENTITY

The School District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement Nos. 14 and 39, “The Financial Reporting Entity” and “Determining Whether Certain Organizations Are Component Units”. In evaluating how to define the School District for financial reporting purposes, management has considered all boards, funds, agencies, departments and organizations making up the Highland Local School District (the primary government).

Other governmental entities (i.e. Townships of Hinckley, Granger, Sharon, Montville, Brunswick Hills, Copley, and Medina) conducting business activities within School District boundaries are excluded from the accompanying financial statements. The School District’s Board does not appoint the boards of those entities, nor are they fiscally dependent on the School District. The School District cannot legally access their resources, has no obligation to finance deficits or provide financial support, and is not obligated for their debts.

FINANCIAL INFORMATION

The School District is responsible for establishing and maintaining an internal control structure designed to protect its assets from loss, theft or misuse. Furthermore, the accounting system must be adequate to allow for the preparation of basic financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control does not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.

The School District has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – State and Local Governments.” Since this is the School District’s third year preparing financial statements in accordance with this new standard, comparative financial data is present in the Management’s Discussion and Analysis (MD&A). This discussion follows the Independent Accountants’ Report, providing an assessment of the School District’s finances for fiscal year 2005. In addition to the current year’s financial data this discussion provides comparative balances and activity for the current and previous fiscal year. Users of these financial statements may wish to read the MD&A before the financial statements or note disclosures.

ECONOMIC CONDITION AND FUTURE OUTLOOK

Easily accessible via interstate highways between the metropolitan areas of Akron and Cleveland, the School District offers a wealth of opportunity for cultural, social and economic resources for its residents. Three major state universities, The University of Akron, Kent State University and Cleveland State University, are within reasonable traveling distance from the community.

The Townships within the School District offer an excellent opportunity for business growth. It is a healthy, favorable environment with a low tax base for business establishments.

The School District works cooperatively with the Medina County Economic Development Corporation to recruit new businesses to the area. In the past five years, the School District has realized increased activity in commercial development and residential housing continues to increase each year.

OTHER INFORMATION

Independent Audit

Provisions of State statute require the School District's financial statements to be subjected to a biannual examination by The Auditor of State unless an annual Single Audit is required. The Ohio Auditor of State performed the audit for the year ended June 30, 2005. The auditor's unqualified opinion rendered on the School District's basic financial statements is included in the financial section of this Comprehensive Annual Financial Report.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The School District has submitted this report for consideration to the GFOA. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the high standards required by the Certificate of Achievement program.

Additional Information

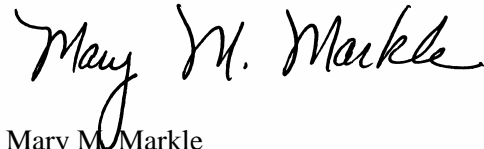
For a more in depth discussion of the financial condition of the Highland Local School District, please refer to the Management's Discussion and Analysis and the Notes to the Basic Financial Statements of the Comprehensive Annual Financial Report.

Acknowledgments

My sincere appreciation and thanks are extended to the many individuals who made the preparation and publication of this Comprehensive Annual Financial Report a reality. This accomplishment would not have been possible without the support and efforts of the staff in the Treasurer's office and many other dedicated employees of the School District. In addition, sincere thanks are extended to the Medina County Auditor's office staff and other outside agencies whose efforts contributed to the fair presentation of the statistical data.

I would also extend my appreciation to the members of the Highland Board of Education for their leadership, commitment to excellence and support. It is with great pride that the Highland Local School District presents the 2005 Comprehensive Annual Financial Report to the citizens and taxpayers of the School District.

Respectfully Submitted,

A handwritten signature in black ink that reads "Mary M. Markle". The signature is written in a cursive style with a large, prominent "M" at the beginning.

Mary M. Markle
Treasurer

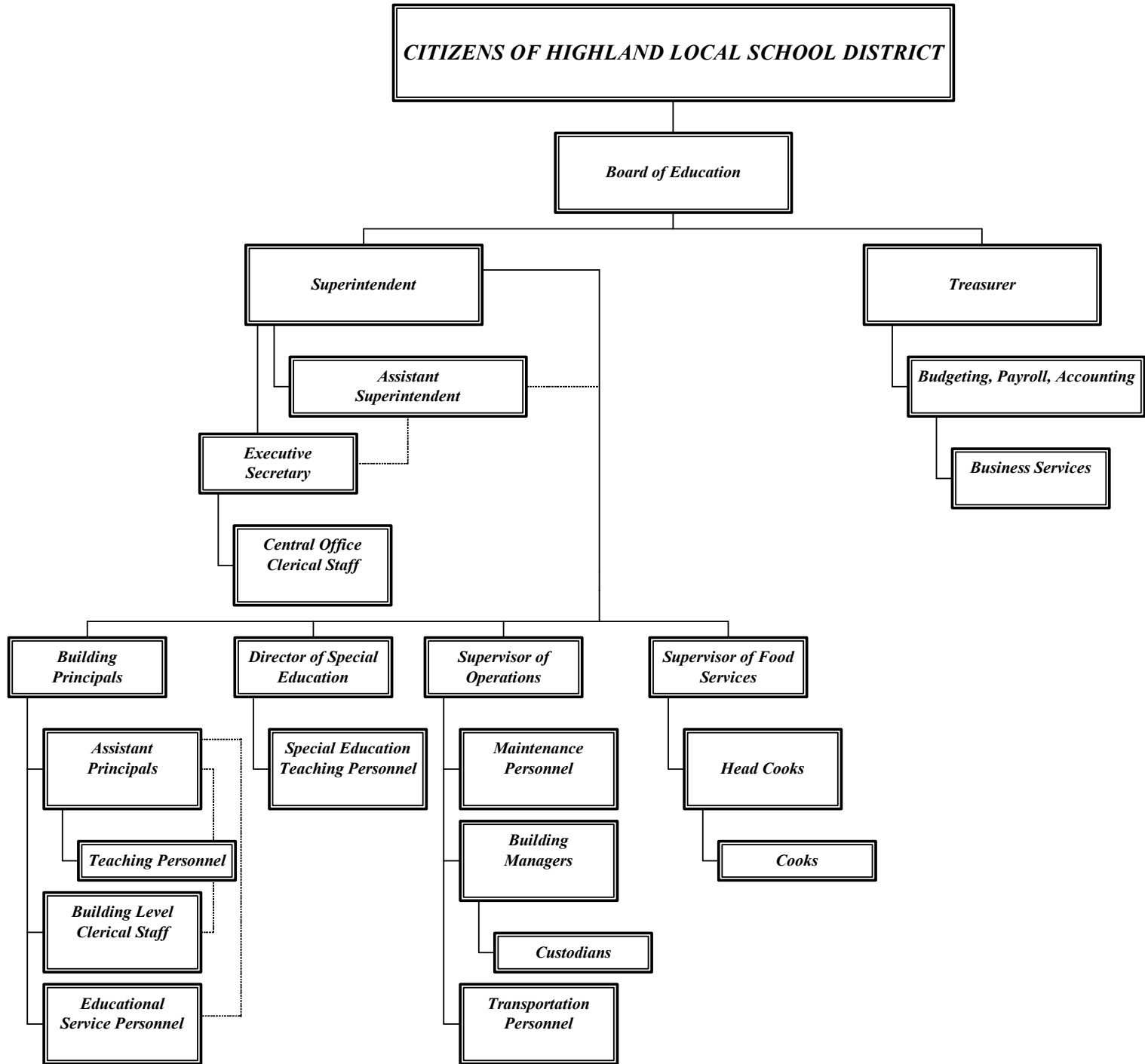
Highland Local School District
Public Officials Roster
For the Fiscal Year Ended June 30, 2005

Board of Education

Trent Smith	Board Member, President
Robert Kelly	Board Member, Vice President
Robert Senkar	Board Member
Ruth Abboud	Board Member
Nancy Wingebach, Ph. D.	Board Member

Administration

Dr. Bruce Armstrong	Superintendent
Mary M. Markle	Treasurer
Dr. John Opperman	Director of Special Education
Ann Johnson	Director of Curriculum and Instruction
James Reusch	Supervisor of Operations
Tracy Goebel	Community Information Coordinator
Charles Grimes	Highland High School Principal
Peter Ulrich	Highland High School Assistant Principal
Dr. John Deuber	Highland Middle School Principal
Daryl Kubulis	Highland Middle School Assistant Principal
Linda Collins	Granger Elementary School Principal
Stacie Rastok	Hinckley Elementary School Principal
Constance Marzullo	Sharon Elementary School Principal
Evelyn Makarek	Food Service Coordinator
Roger Saffle	Supervisor of Technological Services



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Highland Local School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

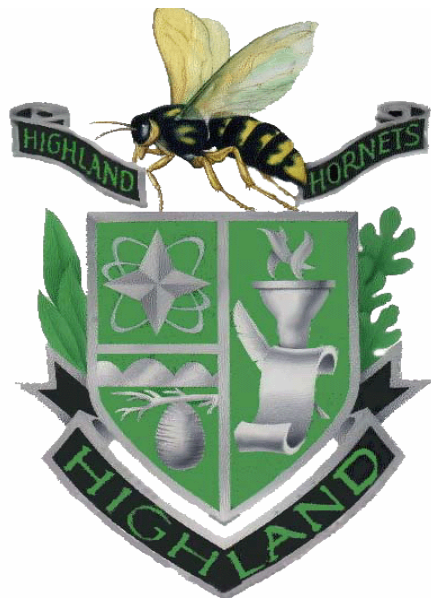


Nancy L. Ziehl

President

Jeffrey R. Emery

Executive Director



FINANCIAL SECTION



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Highland Local School District
Medina County
3880 Ridge Road
Medina, Ohio 44256

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

December 20, 2005

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

This discussion and analysis of Highland Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the letter of transmittal, basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$1,971,621, representing a 7.2 percent decrease from 2004.
- General revenues accounted for \$24,212,115 in revenue or 91.8 percent of all revenues. Program revenues in the form of charges for services, operating and capital grants, contributions and interest accounted for \$2,154,699 or 8.2 percent of total revenues of \$26,366,814.
- The School District had \$28,338,435 in expenses related to governmental activities; only \$2,154,699 of these expenses was offset by program specific revenues. General revenues of \$24,212,115 were not adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$13,402,720, a decrease of \$6,335,926 from the prior fiscal year. The decrease was due largely to more than \$5.3 million in combined capital outlay expenditures in the general fund and building capital projects fund.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Highland Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Highland Local School District, the general fund and the debt service fund are the most significant funds.

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all Governmental Activities.

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. Fund financial reports provide detailed information about the general and debt service funds, all of which are considered major funds. Data from the other funds are combined into a single, aggregated presentation.

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 year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. A comparative analysis is presented below.

Table 1 provides a summary of the School District's net assets for 2005 and 2004:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<u>Assets:</u>		
<i>Current and other assets</i>	\$ 34,984,604	\$ 41,044,894
<i>Capital assets, net of depreciation</i>	50,376,148	46,553,281
<i>Total assets</i>	<u>85,360,752</u>	<u>87,598,175</u>
<u>Liabilities:</u>		
<i>Current and other liabilities</i>	20,651,137	20,024,694
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	992,687	945,904
<i>Due in more than one year</i>	38,259,739	39,198,767
<i>Total liabilities</i>	<u>59,903,563</u>	<u>60,169,365</u>
<u>Net Assets:</u>		
<i>Invested in capital assets, net of related debt</i>	11,952,666	7,301,012
<i>Restricted</i>	2,522,746	6,029,282
<i>Unrestricted</i>	10,981,777	14,098,516
<i>Total net assets</i>	<u>\$ 25,457,189</u>	<u>\$ 27,428,810</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the School District's assets exceeded liabilities by \$25,457,189.

Invested in capital assets, net of related debt reported on the government-wide statements represent the largest portion of the School District's net assets for fiscal year 2005. Capital assets include land, construction in progress, land improvements, buildings, furniture, fixtures, and equipment, and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$2,522,746 or 9.9 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,435,244, or 56.9 percent, is restricted for debt service payments; \$936,856, or 37.1 percent, is restricted for capital projects; and a small amount, \$150,646, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$10,981,777 may be used to meet the government's ongoing obligations to students and staff.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows change in net assets for fiscal years 2005 and 2004.

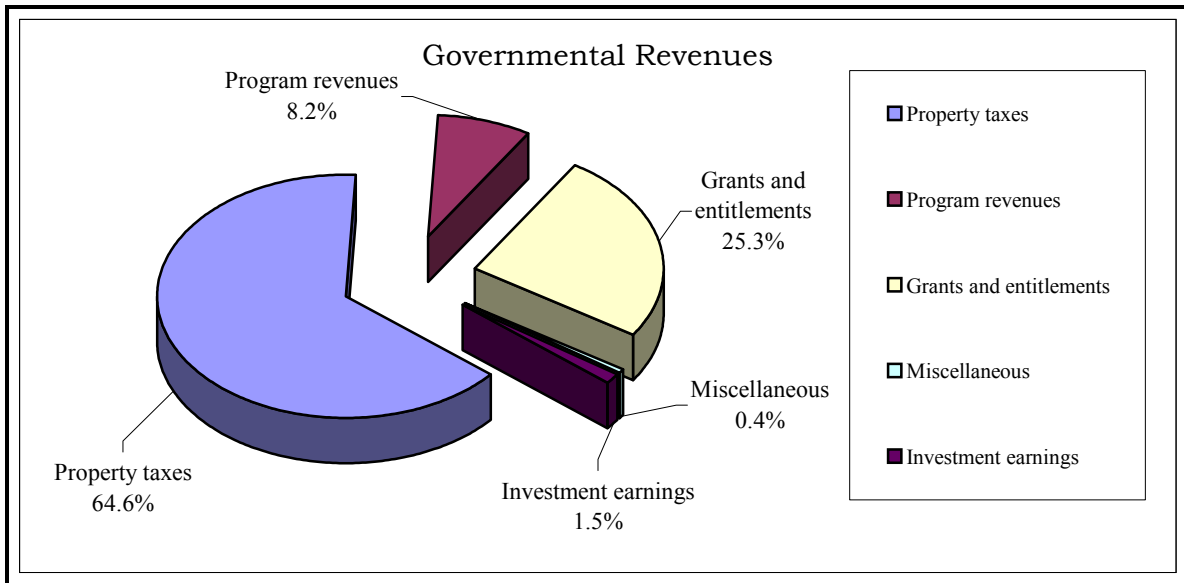
Table 2
Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<u>Revenues:</u>		
<i>Program revenues:</i>		
Charges for services	\$ 1,354,050	\$ 1,241,414
Operating grants, contributions and interest	780,934	677,753
Capital grants and contributions	19,715	18,493
<i>General revenues:</i>		
Property taxes	17,027,932	15,983,564
Grants and entitlements	6,674,999	6,615,473
Investment earnings	396,578	392,812
Miscellaneous	112,606	166,532
<i>Total revenues</i>	<u>26,366,814</u>	<u>25,096,041</u>
<u>Program Expenses:</u>		
<i>Instruction:</i>		
Regular	10,782,456	9,372,735
Special	2,292,960	2,189,792
Vocational	260,976	237,639
Other	65,695	31,364
<i>Support services:</i>		
Pupils	1,056,613	996,550
Instructional staff	1,605,142	1,402,428
Board of education	21,534	19,977
Administration	2,279,411	1,746,937
Fiscal	804,491	734,167
Business	41,990	50,876
Operation and maintenance of plant	3,493,085	2,316,223
Pupil transportation	1,483,026	1,367,189
Central	153,377	131,127
Food service operations	861,737	741,795
Operation of community services	127,010	93,682
Extracurricular activities	1,076,287	852,001
Interest and fiscal charges	1,932,645	1,957,796
<i>Total expenses</i>	<u>28,338,435</u>	<u>24,242,278</u>
<i>Increase (decrease) in net assets</i>	(1,971,621)	853,763
<i>Net assets beginning of year</i>	<u>27,428,810</u>	<u>26,575,047</u>
<i>Net assets end of year</i>	<u>\$ 25,457,189</u>	<u>\$ 27,428,810</u>

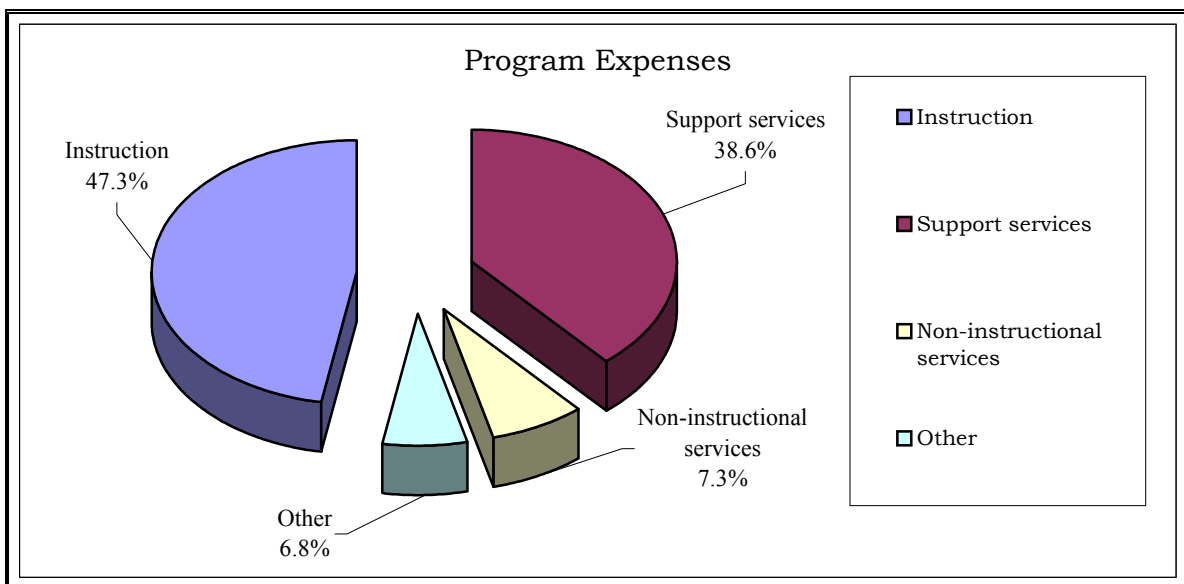
Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 64.6 percent of revenues for governmental activities for the School District in fiscal year 2005. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.



Instruction comprises 47.3 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 38.6 percent. The remaining 14.1 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.



Highland Local School District

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

*Table 3
 Governmental Activities*

	<i>Total Cost of Services 2005</i>	<i>Total Cost of Services 2004</i>	<i>Net Cost of Services 2005</i>	<i>Net Cost of Services 2004</i>
<u>Program Expenses:</u>				
<i>Instruction:</i>				
<i>Regular</i>	\$ 10,782,456	\$ 9,372,735	\$ (10,523,464)	\$ (9,134,288)
<i>Special</i>	2,292,960	2,189,792	(2,055,603)	(1,949,759)
<i>Vocational</i>	260,976	237,639	(260,976)	(237,639)
<i>Other</i>	65,695	31,364	(65,695)	(31,364)
<i>Support services:</i>				
<i>Pupils</i>	1,056,613	996,550	(953,763)	(929,533)
<i>Instructional staff</i>	1,605,142	1,402,428	(1,389,659)	(1,230,443)
<i>Board of education</i>	21,534	19,977	(21,534)	(19,977)
<i>Administration</i>	2,279,411	1,746,937	(2,147,878)	(1,626,878)
<i>Fiscal</i>	804,491	734,167	(804,491)	(718,071)
<i>Business</i>	41,990	50,876	(41,990)	(50,876)
<i>Operation and maintenance of plant</i>	3,493,085	2,316,223	(3,493,085)	(2,316,223)
<i>Pupil transportation</i>	1,483,026	1,367,189	(1,463,311)	(1,348,696)
<i>Central</i>	153,377	131,127	(107,335)	(109,213)
<i>Food service operations</i>	861,737	741,795	(92,880)	(25,903)
<i>Operation of community services</i>	127,010	93,682	(9,637)	14,141
<i>Extracurricular activities</i>	1,076,287	852,001	(819,790)	(632,100)
<i>Interest and fiscal charges</i>	1,932,645	1,957,796	(1,932,645)	(1,957,796)
<i>Total</i>	<u>\$ 28,338,435</u>	<u>\$ 24,242,278</u>	<u>\$ (26,183,736)</u>	<u>\$ (22,304,618)</u>

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$26,417,733 and total expenditures and other financing uses were \$32,753,659. Although the total net change in fund balance across all governmental funds was a decrease of \$6,335,926, the School District continues to be financially stable. This decrease in fund balance is shown in the general fund and the building capital projects fund which is reported under other governmental funds. The building capital projects fund is charged for the finalization of the School District's construction and renovation of school facilities. The net decrease in fund balance for the year was significant in the general fund, amounting to \$2,786,500, or 20%. This change in the general fund is due to largely to increased expenditures for capital outlay and maintenance of the buildings. Taxes receivable in the general fund are approximately \$16 million or an increase of 8.8 percent from the prior year amount \$14.7 million. Net change in the debt service fund is \$410,779, which is due from an increase in property tax receipts.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During fiscal year 2005, the School District amended its general fund budget, however not significantly. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$21,350,689, which was higher than the original budget estimate of \$19,907,700. Most of this \$1,442,989 difference was due to conservative estimates for property taxes.

The original expenditures and other financing uses estimate of \$22,382,715 was revised slightly over the fiscal year. Actual expenditures and other financing uses, however, were \$24,449,840, or \$2,067,125 more than originally anticipated. Overall, the final budget amounts are approximately 10.4 percent higher than originally established. These increases are due to changes in several programs, but mainly in capital outlay, maintenance, and instruction expenditures.

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$50,376,148 invested in capital assets. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004:

Table 4
*Capital Assets, at Fiscal Year End
 (Net of Depreciation)*

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 4,255,089	\$ 4,255,089
Land improvements	496,723	275,539
Buildings	41,626,309	4,065,817
Furniture, fixtures and equipment	3,004,266	1,416,499
Vehicles	993,761	1,156,977
Construction in progress	-	35,383,360
Total capital assets	<u>\$ 50,376,148</u>	<u>\$ 46,553,281</u>

Construction in progress decreased significantly from the prior year due in large part to the finalization of the construction of the new high school building. There were significant increases in all asset classes except vehicles and land. The additions in these asset classes were greater than the year's offsetting depreciation. See Note 9 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2005 the School District had \$38,340,000 in bonds outstanding with \$905,000 due within one year. This balance reflected a reduction of \$805,000 from the previous year's balance of \$39,145,000. Table 5 summarizes the bonds outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
School improvement bonds	\$ 38,340,000	\$ 39,145,000

During the 2002 fiscal year, the School District issued \$39,900,000 in bonds, the proceeds of which were used to finance the constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. At June 30, 2005, the School District's overall legal debt margin was \$14,933,991 with an unvoted debt margin of \$575,326. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 13, to the basic financial statements for details on the School District's debt.

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. See Note 16 to the basic financial statements for more on this contingent matter.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 or need additional financial information, contact Mary M. Markle, Treasurer, Highland Local School District, 3880 Ridge Road, Medina Ohio, 44256.

Highland Local School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 15,467,239
Cash and cash equivalents:	
In segregated accounts	403,498
With fiscal agents	29,537
Receivables:	
Taxes	18,925,462
Accounts	30,516
Intergovernmental	41,658
Accrued interest	29,638
Prepaid items	40,948
Inventory held for resale	14,139
Materials and supplies inventory	1,969
Capital assets:	
Land	4,255,089
Depreciable capital assets, net	46,121,059
Total assets	<u>85,360,752</u>
<u>Liabilities:</u>	
Accounts payable	53,974
Contracts payable	111,878
Accrued wages	2,078,450
Compensated absences payable	81,547
Intergovernmental payable	617,707
Accrued interest payable	159,640
Matured interest payable	4,537
Matured bonds payable	25,000
Claims payable	293,455
Deferred revenue	17,224,949
Long-term liabilities:	
Due within one year	992,687
Due in more than one year	38,259,739
Total liabilities	<u>59,903,563</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	11,952,666
Restricted for:	
Capital projects	936,856
Debt service	1,435,244
Other purposes	150,646
Unrestricted	10,981,777
Total net assets	<u>\$ 25,457,189</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 10,782,456	\$ 181,859	\$ 77,133	\$ -	\$ (10,523,464)
Special	2,292,960	90,767	146,590	-	(2,055,603)
Vocational	260,976	-	-	-	(260,976)
Other	65,695	-	-	-	(65,695)
Support services:					
Pupils	1,056,613	-	102,850	-	(953,763)
Instructional staff	1,605,142	-	215,483	-	(1,389,659)
Board of education	21,534	-	-	-	(21,534)
Administration	2,279,411	-	131,533	-	(2,147,878)
Fiscal	804,491	-	-	-	(804,491)
Business	41,990	-	-	-	(41,990)
Operation and maintenance of plant	3,493,085	-	-	-	(3,493,085)
Pupil transportation	1,483,026	-	-	19,715	(1,463,311)
Central	153,377	-	46,042	-	(107,335)
Operation of non-instructional services:					
Food service operations	861,737	715,616	53,241	-	(92,880)
Community services	127,010	117,373	-	-	(9,637)
Extracurricular activities	1,076,287	248,435	8,062	-	(819,790)
Interest and fiscal charges	1,932,645	-	-	-	(1,932,645)
Total governmental activities	\$ 28,338,435	\$ 1,354,050	\$ 780,934	\$ 19,715	(26,183,736)
General Revenues:					
Property taxes levied for:					
General purposes					14,206,577
Debt service					2,821,355
Grants and entitlements not restricted to specific programs					6,674,999
Investment earnings					396,578
Miscellaneous					112,606
Total general revenues					24,212,115
Change in net assets					(1,971,621)
Net assets beginning of year					27,428,810
Net assets end of year					\$ 25,457,189

See accompanying notes to the basic financial statements.

Highland Local School District

Balance Sheet

Governmental Funds

June 30, 2005

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 12,464,421	\$ 1,305,743	\$ 1,270,366	\$ 15,040,530
Cash and cash equivalents:				
In segregated accounts	-	-	119,401	119,401
With fiscal agents	-	29,537	-	29,537
Receivables:				
Taxes	15,955,125	2,970,337	-	18,925,462
Accounts	28,413	-	2,103	30,516
Intergovernmental	-	-	41,658	41,658
Interfund	41,658	-	-	41,658
Accrued interest	29,638	-	-	29,638
Inventory held for resale	-	-	14,139	14,139
Materials and supplies inventory	-	-	1,969	1,969
Prepaid items	40,948	-	-	40,948
Total assets	<u>\$ 28,560,203</u>	<u>\$ 4,305,617</u>	<u>\$ 1,449,636</u>	<u>\$ 34,315,456</u>
<u>Liabilities:</u>				
Accounts payable	\$ 50,426	\$ -	\$ 3,548	\$ 53,974
Contracts payable	-	-	111,878	111,878
Accrued wages	1,955,026	-	123,424	2,078,450
Interfund payable	-	-	41,658	41,658
Intergovernmental payable	578,494	-	39,213	617,707
Compensated absences payable	81,547	-	-	81,547
Matured bonds payable	-	25,000	-	25,000
Matured interest payable	-	4,537	-	4,537
Deferred revenue	15,078,808	2,781,435	37,742	17,897,985
Total liabilities	<u>17,744,301</u>	<u>2,810,972</u>	<u>357,463</u>	<u>20,912,736</u>
<u>Fund balances:</u>				
Reserved for:				
Encumbrances	601,718	-	978,902	1,580,620
Endowments	-	-	8,000	8,000
Unreserved, undesignated, reported in:				
General fund	10,214,184	-	-	10,214,184
Special revenue funds	-	-	128,677	128,677
Debt service fund	-	1,494,645	-	1,494,645
Capital projects funds	-	-	(23,406)	(23,406)
Total fund balances	<u>10,815,902</u>	<u>1,494,645</u>	<u>1,092,173</u>	<u>13,402,720</u>
Total liabilities and fund balances	<u>\$ 28,560,203</u>	<u>\$ 4,305,617</u>	<u>\$ 1,449,636</u>	<u>\$ 34,315,456</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total governmental fund balances		\$ 13,402,720
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.		50,376,148
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 635,294	
Intergovernmental receivables	<u>37,742</u>	
		673,036
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.		417,351
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(159,640)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (38,340,000)	
Compensated absences	(828,944)	
Capital leases	<u>(83,482)</u>	
Total		<u>(39,252,426)</u>
Net assets of governmental activities		<u><u>\$ 25,457,189</u></u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 14,215,909	\$ 2,820,706	\$ -	\$ 17,036,615
Intergovernmental	6,323,602	371,112	734,243	7,428,957
Interest	314,139	-	83,891	398,030
Tuition and fees	192,311	-	207,616	399,927
Extracurricular activities	45,197	-	192,798	237,995
Gifts and donations	58,581	-	7,499	66,080
Charges for services	-	-	715,617	715,617
Rent	1,448	-	2,383	3,831
Miscellaneous	50,194	-	512	50,706
Total revenues	<u>21,201,381</u>	<u>3,191,818</u>	<u>1,944,559</u>	<u>26,337,758</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,898,228	-	182,311	10,080,539
Special	2,072,707	-	176,005	2,248,712
Vocational	250,990	-	-	250,990
Other	65,695	-	-	65,695
Support services:				
Pupils	936,446	-	102,613	1,039,059
Instructional staff	1,306,162	-	210,901	1,517,063
Board of education	21,534	-	-	21,534
Administration	2,082,706	5,986	121,098	2,209,790
Fiscal	748,045	41,297	-	789,342
Business	41,217	-	-	41,217
Operation and maintenance of plant	2,770,444	-	329,955	3,100,399
Pupil transportation	1,320,894	-	810	1,321,704
Central	105,802	-	43,667	149,469
Operation of non-instructional services:				
Food service operations	-	-	787,355	787,355
Community services	-	-	124,162	124,162
Extracurricular activities	658,521	-	210,825	869,346
Capital outlay	1,660,059	-	3,664,337	5,324,396
Debt service:				
Principal retirement	23,787	805,000	-	828,787
Interest and fiscal charges	6,069	1,928,756	-	1,934,825
Total expenditures	<u>23,969,306</u>	<u>2,781,039</u>	<u>5,954,039</u>	<u>32,704,384</u>
Excess of revenues over (under) expenditures	<u>(2,767,925)</u>	<u>410,779</u>	<u>(4,009,480)</u>	<u>(6,366,626)</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	30,700	-	-	30,700
Transfers in	-	-	49,275	49,275
Transfers out	(49,275)	-	-	(49,275)
Total other financing sources (uses)	<u>(18,575)</u>	<u>-</u>	<u>49,275</u>	<u>30,700</u>
Net change in fund balances	(2,786,500)	410,779	(3,960,205)	(6,335,926)
Fund balances beginning of year, as restated	13,602,402	1,083,866	5,052,378	19,738,646
Fund balances end of year	<u>\$ 10,815,902</u>	<u>\$ 1,494,645</u>	<u>\$ 1,092,173</u>	<u>\$ 13,402,720</u>

See accompanying notes to the basic financial statements.

Highland Local School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005**

Net change in fund balances - total governmental funds \$ (6,335,926)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. 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	\$ 5,324,396	
Depreciation expense	<u>(1,314,760)</u>	
Excess of capital asset additions over depreciation expense		4,009,636

The disposal of capital assets results in the removal of capital assets at cost and the difference in their
carrying value to cost, if immaterial, is charged to the program as an expense in the statement
of activities. (186,769)

Revenues in the statement of activities that do not provide current financial resources are not
reported as revenues in the funds. These activities consist of:

Property taxes	\$ (8,686)	
Intergovernmental	<u>37,742</u>	
Net change in deferred revenues during the year		29,056

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 828,787

Some items reported in the statement of activities do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds. These
activities consist of:

Decrease in compensated absences	\$ 63,458	
Decrease in accrued interest	<u>2,180</u>	
Total additional expenditures		65,638

The internal service fund is used by management to charge the costs of medical, prescription
drug, dental and vision claims to individual funds. The net revenue (expense) of the
internal service fund is allocated among the governmental activities. (382,043)

Change in net assets of governmental activities \$ (1,971,621)

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 13,174,668	\$ 14,239,224	\$ 14,157,784	\$ (81,440)
Intergovernmental	6,280,619	6,250,682	6,323,602	72,920
Interest	196,658	286,658	309,349	22,691
Tuition and fees	175,056	220,223	221,664	1,441
Extracurricular activities	45,829	45,240	45,197	(43)
Gifts and donations	9,193	58,573	58,581	8
Charges for services	103	103	-	(103)
Rent	464	464	1,448	984
Miscellaneous	25,101	146,301	149,128	2,827
Total revenues	<u>19,907,691</u>	<u>21,247,468</u>	<u>21,266,753</u>	<u>19,285</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,107,726	9,853,789	9,830,016	23,773
Special	1,982,113	2,130,587	2,068,108	62,479
Vocational	242,972	250,622	248,242	2,380
Other	34,046	67,614	65,695	1,919
Support services:				
Pupils	924,557	972,209	935,867	36,342
Instructional staff	1,310,961	1,370,103	1,322,836	47,267
Board of education	21,416	23,136	21,967	1,169
Administration	1,726,561	2,019,216	2,046,228	(27,012)
Fiscal	698,134	780,404	767,244	13,160
Business	42,754	51,165	45,723	5,442
Operation and maintenance of plant	2,537,921	3,071,479	2,972,086	99,393
Pupil transportation	1,257,572	1,448,145	1,437,760	10,385
Central	151,055	151,710	115,602	36,108
Extracurricular activities	654,888	688,073	677,942	10,131
Capital outlay	1,690,039	1,807,684	1,803,591	4,093
Total expenditures	<u>22,382,715</u>	<u>24,685,936</u>	<u>24,358,907</u>	<u>327,029</u>
Excess of revenues over (under) expenditures	<u>(2,475,024)</u>	<u>(3,438,468)</u>	<u>(3,092,154)</u>	<u>346,314</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	33,200	33,173	(27)
Refund of prior year expenditures	9	3,309	3,304	(5)
Advances in	-	66,712	66,712	-
Advances out	-	(42,000)	(41,658)	342
Transfers out	-	(49,294)	(49,275)	19
Total other financing sources (uses)	<u>9</u>	<u>11,927</u>	<u>12,256</u>	<u>329</u>
Net change in fund balance	(2,475,015)	(3,426,541)	(3,079,898)	346,643
Fund balance at beginning of year	13,489,705	13,489,705	13,489,705	-
Prior year encumbrances appropriated	1,424,727	1,424,727	1,424,727	-
Fund balance at end of year	<u>\$ 12,439,417</u>	<u>\$ 11,487,891</u>	<u>\$ 11,834,534</u>	<u>\$ 346,643</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2005

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 426,709
Cash and cash equivalents:	
In segregated accounts	284,097
Total assets	<u>710,806</u>
<u>Liabilities:</u>	
Claims payable	<u>293,455</u>
<u>Net assets:</u>	
Unrestricted	417,351
Total liabilities and net assets	<u>\$ 710,806</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	\$ 2,936,901
Other revenues	29,648
Total operating revenues	<u>2,966,549</u>
 <u>Operating expenses:</u>	
Purchased services	413,167
Claims	2,935,425
Total operating expenses	<u>3,348,592</u>
 Operating loss	 (382,043)
 Net assets beginning of year	 <u>799,394</u>
Net assets end of year	<u>\$ 417,351</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 14,169
Cash received for charges for services	2,953,870
Cash payments to suppliers for goods and services	(413,167)
Cash payments for claims	(2,884,714)
Net cash used for operating activities	<u>(329,842)</u>
Net decrease in cash and cash equivalents	(329,842)
Cash and cash equivalents at beginning of year	1,040,648
Cash and cash equivalents at end of year	<u>\$ 710,806</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (382,043)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	1,490
Increase (decrease) in liabilities:	
Claims payable	50,711
Net cash used for operating activities	<u>\$ (329,842)</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trusts	
	Endowment	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 64,499	\$ 79,425
<u>Liabilities:</u>		
Due to students	-	\$ 79,425
<u>Net assets:</u>		
Held in trust for scholarships	64,499	
Total net assets	\$ 64,499	

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
	<u>Endowment</u>
<u>Additions:</u>	
Interest	\$ 1,429
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>2,600</u>
Change in net assets	(1,171)
Net assets beginning of year	<u>65,670</u>
Net assets end of year	<u>\$ 64,499</u>

See accompanying notes to the basic financial statements.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Highland Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Highland Local School District was established in 1952 through the consolidation of the former Granger-Sharon and Hinckley Local School Districts. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 151 non-certificated employees and 196 certificated teaching and support personnel, including 10 administrators that provide services to 2,914 students and other community members.

Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the 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 organizations' 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 their budget, the issuance of their debt or the levying of their taxes. Based on the above criteria, the School District had no component units at June 30, 2005.

The School District is associated with the Lake Erie Educational Computer Association (LEECA), which is defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding LEECA is presented in Note 15.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

A. Basis of Presentation - Fund Accounting

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 and other internal activity of governmental funds are eliminated to avoid "doubling-up" revenues and expenses of governmental activities.

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in 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 and proprietary fund financial statements is on major funds rather than reporting funds 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 in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Fund Types

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has two major governmental funds:

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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 debt principal, interest, and related costs.

Proprietary Fund Type

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

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, and dental and vision claims of School District employees.

Fiduciary Fund Types

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 funds are a private purpose trust and an agency fund. The private purpose trust fund accounts for scholarships granted to students as specified in trust agreements and from donations received. The agency fund accounts for student activities managed by the student body.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The internal service fund, private purpose trust fund and agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

D. Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, U.S. Government backed securities, certificates of deposit and interest in Star Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as indicated in Note 5.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. This account's balance is presented in the account "Cash and cash equivalents with fiscal agents". Also, the School District maintains two segregated accounts for the self insurance internal service fund and building capital projects fund, which are presented as "Cash and cash equivalents in segregated accounts".

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

H. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. The School District expended all restricted assets in accordance with specific restrictions during the previous fiscal year. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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 the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Land improvements</i>	<i>5 - 20 years</i>
<i>Buildings</i>	<i>20 - 50 years</i>
<i>Furniture, fixtures and equipment</i>	<i>3 - 20 years</i>
<i>Vehicles</i>	<i>10 - 20 years</i>

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education with the School District.

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

N. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of activities.

O. Estimates

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

P. Fund Balance Reserves

The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates the portion of fund balances that are available for appropriation in future periods. Fund balance reserves are established for encumbrances and endowments.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in accounting principles

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures"; GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

B. Restatement of fund balances

As a result of the implementation of the Technical Bulletin and GASB Statement No. 45, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other postemployment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

The restatement of fund balance is presented below:

	<i>General Fund</i>	<i>Debt Service Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<i>Fund balances at June 30, 2004</i>	\$ 13,798,145	\$ 1,083,866	\$ 5,076,142	\$ 19,958,153
<i>Restatement of, intergovernmental payable</i>	(195,743)	-	(23,764)	(219,507)
<i>Restated fund balances, at July 1, 2004</i>	<u>\$ 13,602,402</u>	<u>\$ 1,083,866</u>	<u>\$ 5,052,378</u>	<u>\$ 19,738,646</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presentation for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
<i>GAAP basis</i>	\$ (2,786,500)
<i>Revenue accruals</i>	137,861
<i>Expenditure accruals</i>	199,461
<i>Encumbrances (Budget basis) outstanding at year end</i>	<u>(630,720)</u>
<i>Budget basis</i>	<u><u>\$ (3,079,898)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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

A. Cash on hand

At fiscal year-end, the School District had \$6,060 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$ 13,931,852. The School District's bank balance of \$14,270,970 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 13,841,433
--	---------------

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

C. Investments

As of June 30, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 127,769	N/A	AAAm ⁽¹⁾
Federal Farm Credit Banks - discounted note	994,913	8/26/2005	A-1 ⁽¹⁾
Federal Home Loan Bank	983,604	6/30/2006 ⁽²⁾	A-1 ⁽¹⁾
	<u>\$ 2,106,286</u>		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Callable on 9/30/05, and each quarter thereafter.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in Federal Farm Credit Banks Funding Corporation (FFCB) and Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating and FFCB and FHLB an A-1 rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5 percent of the School District's investments are in FFCB and FHLB. These investments are 47.2% and 46.7%, respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the Scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$314,139, which includes \$37,247 assigned from other School District funds.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value for inventory.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Tangible personal property taxes paid 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.

The School District receives property taxes from Medina and Summit Counties. The Medina County Auditor and the Summit County Fiscal Officer periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent and on the collection of delinquent taxes. The Board has passed a resolution to accept advances of property taxes and make them available for appropriation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$876,317 in the general fund and \$188,902 in the debt service fund, and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2004 Assessed Value</u>	<u>2003 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 505,890,970	\$ 445,909,650
Commercial, industrial and minerals	38,364,480	31,782,460
Public utilities	10,120	6,070
<u>Tangible Personal Property</u>		
General	17,980,743	17,197,552
Public utilities	13,079,750	12,701,290
Total	<u>\$ 575,326,063</u>	<u>\$ 507,597,022</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. The general fund accounts receivable at year-end consisted of excess cost, insurance proceeds and other miscellaneous reimbursements of \$28,413. Also, two special revenue funds recorded an intergovernmental receivable for federal grants and reimbursements in the amount of \$41,658.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2005 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 41,658

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund loans outstanding are anticipated to be repaid in fiscal year 2006.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 49,275

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,255,089	\$ -	\$ -	\$ 4,255,089
Construction in progress	<u>35,383,360</u>	<u>-</u>	<u>(35,383,360)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>39,638,449</u>	<u>-</u>	<u>(35,383,360)</u>	<u>4,255,089</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,494,719	254,775	-	1,749,494
Buildings	8,260,530	38,523,351	(224,406)	46,559,475
Furniture, fixtures and equipment	2,865,170	1,929,630	(505,682)	4,289,118
Vehicles	<u>2,439,773</u>	<u>-</u>	<u>-</u>	<u>2,439,773</u>
Total capital assets, being depreciated	<u>15,060,192</u>	<u>40,707,756</u>	<u>(730,088)</u>	<u>55,037,860</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	(1,219,180)	(33,591)	-	(1,252,771)
Buildings	(4,194,713)	(877,355)	138,902	(4,933,166)
Furniture, fixtures and equipment	(1,448,671)	(240,598)	404,417	(1,284,852)
Vehicles	<u>(1,282,796)</u>	<u>(163,216)</u>	<u>-</u>	<u>(1,446,012)</u>
Total accumulated depreciation	<u>(8,145,360)</u>	<u>(1,314,760)</u>	<u>543,319</u>	<u>(8,916,801)</u>
Total capital assets being depreciated, net	<u>6,914,832</u>	<u>39,392,996</u>	<u>(186,769)</u>	<u>46,121,059</u>
Governmental activities capital assets, net	<u>\$ 46,553,281</u>	<u>\$ 39,392,996</u>	<u>\$ (35,570,129)</u>	<u>\$ 50,376,148</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 461,365
<i>Special</i>	10,381
<i>Vocational</i>	1,454
<i>Support services:</i>	
<i>Pupils</i>	31,031
<i>Instructional staff</i>	28,067
<i>Administration</i>	14,728
<i>Fiscal</i>	6,690
<i>Business</i>	773
<i>Operation and maintenance of plant</i>	334,198
<i>Pupil transportation</i>	151,986
<i>Central</i>	4,088
<i>Food service operations</i>	69,264
<i>Operation of community services</i>	215
<i>Extracurricular activities</i>	<u>200,520</u>
<i>Total depreciation expense</i>	<u>\$ 1,314,760</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$293,455, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$60,000 per employee.

Changes in the fund's claims liability during 2004 and 2005 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2004	\$ 156,512	2,058,435	(1,972,203)	242,744
2005	\$ 242,744	2,935,425	(2,884,714)	293,455

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2004, 9.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$398,278, \$313,254, and \$225,772, respectively; 46% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$233,315, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3746.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2004, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,346,109, \$1,508,996, and \$1,122,479, respectively; 82.8% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$232,013, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2005 were \$19,891 made by the School District and \$29,581 made by the plan members.

NOTE 12 - POST-EMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$103,547 during the 2005 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.1 billion at June 30, 2004 (the latest information available). For the year ended June 30, 2004 (the latest information available) the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2005

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For the fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll a decrease of 1.48% from the previous fiscal year.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$174,509, which includes a surcharge of \$45,267 during the 2005 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 (the latest information available) the SERS's net assets available for payment of health care benefits was \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

NOTE 13 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

<u>Governmental activities</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due in</u> <u>one year</u>
<u>General Obligation Bonds</u>					
<u>School improvement bonds,</u>					
<u>3.0 - 5.75%, maturing</u>					
<u>December 1, 2026</u>	\$ 39,145,000	\$ -	\$ (805,000)	\$ 38,340,000	\$ 905,000
<u>Other Obligations</u>					
<u>Compensated absences</u>	892,402	135,206	(198,664)	828,944	62,360
<u>Capital leases payable</u>	107,269	-	(23,787)	83,482	25,327
<u>Total other liabilities</u>	<u>999,671</u>	<u>135,206</u>	<u>(222,451)</u>	<u>912,426</u>	<u>87,687</u>
<u>Governmental activities</u>					
<u>long-term liabilities</u>	<u>\$ 40,144,671</u>	<u>\$ 135,206</u>	<u>\$ (1,027,451)</u>	<u>\$ 39,252,426</u>	<u>\$ 992,687</u>

General Obligation Bonds: During fiscal year 2002, the School District issued \$39,900,000 in School Improvement bonds. The School Improvement bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The bonds were issued for providing resources for constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. The bonds and interest are to be repaid by the debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Other Obligations: Compensated absences are typically paid from the fund from which the employee is paid. Capital lease obligations have been paid from the general fund in prior years.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2005 are as follows:

<i>Fiscal Year</i>	<i>School Improvement Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	905,000	1,900,969	2,805,969
2007	1,005,000	1,868,675	2,873,675
2008	1,115,000	1,828,787	2,943,787
2009	1,240,000	1,781,687	3,021,687
2010	1,375,000	1,722,513	3,097,513
2011-2015	6,170,000	7,590,938	13,760,938
2016-2020	7,630,000	5,968,825	13,598,825
2021-2025	12,330,000	3,298,669	15,628,669
2026-2027	6,570,000	335,000	6,905,000
<i>Total</i>	<u>\$ 38,340,000</u>	<u>\$ 26,296,063</u>	<u>\$ 64,636,063</u>

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$233,879 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$23,787.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments at year-end.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2006	29,856
2007	29,856
2008	29,856
2009	2,488
<i>Total minimum lease payments</i>	92,056
<i>Less: amount representing interest</i>	<u>(8,574)</u>
<i>Total</i>	<u>\$ 83,482</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, which serves as fiscal agent. During fiscal year 2005, the School District contributed \$28,093 to LEECA.

NOTE 16 - CONTINGENCIES

The School District is party to legal proceedings. However, the School District's management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2005.

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

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

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 17 - STATUTORY RESERVES

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2004</i>	\$ (95,330)	\$ -	\$ (95,330)
<i>Current year set-aside requirement</i>	390,938	390,938	781,876
<i>Current year offset</i>	-	-	-
<i>Qualifying disbursements</i>	<u>(494,532)</u>	<u>(1,689,071)</u>	<u>(2,183,603)</u>
<i>Total</i>	<u>\$ (198,924)</u>	<u>\$ (1,298,133)</u>	<u>\$ (1,497,057)</u>
<i>Balance carried forward to future years</i>	<u>\$ (198,924)</u>		<u>\$ (198,924)</u>

NOTE 18 - ACCOUNTABILITY

As of June 30, 2005, three funds had deficit fund balances. These deficits were caused by the application of GAAP. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had deficit balances:

<i>Fund</i>	<i>Amount</i>
<i>Special revenue:</i>	
<i>Miscellaneous local grant</i>	5,338
<i>IDEA, Part B</i>	21,702
<i>Title I</i>	4,903

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 19 – REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED

For the fiscal year ended, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

**Combining Statements for Nonmajor
Governmental Funds**

COMBINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The title of each special revenue fund is descriptive of the activities accounted for therein. A description of the School District's nonmajor special revenue funds follows:

Food Service

To account for all revenues and expenditures related to the provision of food services, including breakfast and lunch, for the School District students and staff.

Special Trust

To account for the use of donations used to provide educational experiences for the School District's elementary students.

Uniform School Supplies

To account for the purchase and sale of school supplies as adopted by the Board of Education for resale to students of the School District.

Public School Support

To account for specific local revenue sources (other than taxes) generated by individual school buildings (i.e. sales of pictures, profits from vending machines, etc.). Expenditures include field trips, materials, equipment and other items to supplement co-curricular and extra-curricular programs.

Miscellaneous Local Grant

To account for a number of small local grants that are restricted for specific expenditures.

Latchkey

To account for income and expenses made in connection with goods and services provided by the School District.

Underground Storage Tanks

To account for the financial responsibility rules of the State Fire Marshall to cover deductibles.

District Managed Student Activity

To account for those student activity programs which have student participation in the activity, but do not have student management of the programs. This fund includes athletic programs as well as band, cheerleaders, drama clubs, and other similar types of activities.

Management Information Systems

To account for state funds provided to assist the School District in implementing a staff, student, and financial reporting system as mandated by the Omnibus Education Reform Act of 1989.

Entry Year Programs

To account for resources used to implement entry-year programs pursuant to division (T) of section 3317.024 of the Ohio Revised Code.

Data Communications

To account for revenues received from the state to be used to install and provide support costs for data communication links to connect any school to the local data acquisition site.

SchoolNet Professional Development

To account for revenues received to provide professional development programs related to technology.

Ohio Reads

To account for improvements in reading outcomes, especially on the fourth grade reading proficiency test and for volunteer coordinators in public school buildings, for background checks for volunteers, to evaluate the Ohio Reads Program, and for operating expenses associated with administering the program.

Student Reading Intervention

To account for revenues received from the state to be used to administer reading improvement programs.

IDEA, Part B

To account for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels; assist in the training of teachers, supervisors and other specialists in providing educational services to the handicapped.

Title I

To account for federal funds for services provided to meet special educational needs of educationally deprived children.

Title V

To account for federal funds to provide programs for at-risk students; instructional materials to improve the quality of instruction; professional development programs; programs to enhance personal excellence of students and student achievement.

Drug-Free Schools

To account for federal funds for the establishment, operation and improvement programs of drug abuse prevention, early intervention, rehabilitation referral and education in schools.

EHA Preschool Grant for Handicapped

To account for federal funds used for the improvement and expansion of services for handicapped children ages three through five years.

Improving Teacher Quality

To account for monies to hire additional classroom teachers grades 1 through 3, so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants

To account for federal revenues received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities. The nonmajor capital projects fund is:

Permanent Improvement

To account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Building

To account for the receipts and expenditures related to all special bond funds of the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

School Net

To account for monies received that are used to help the School District obtain computer and related educational technology equipment and or the necessary infrastructure for educational technology.

Highland Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 341,033	\$ 929,333	\$ 1,270,366
Cash and cash equivalents:			
In segregated accounts	-	119,401	119,401
Receivables:			
Accounts	2,103	-	2,103
Intergovernmental	41,658	-	41,658
Inventory held for resale	14,139	-	14,139
Materials and supplies inventory	1,969	-	1,969
Total assets	<u>\$ 400,902</u>	<u>\$ 1,048,734</u>	<u>\$ 1,449,636</u>
<u>Liabilities and fund equity:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 3,548	\$ -	\$ 3,548
Contracts payable	-	111,878	111,878
Accrued wages	123,424	-	123,424
Interfund payable	41,658	-	41,658
Intergovernmental payable	39,213	-	39,213
Deferred revenue	37,742	-	37,742
Total liabilities	<u>245,585</u>	<u>111,878</u>	<u>357,463</u>
<u>Fund balance:</u>			
Reserved for encumbrances	18,640	960,262	978,902
Reserved for endowments	8,000	-	8,000
Unreserved:			
Undesignated, reported in:			
Special revenue funds	128,677	-	128,677
Capital projects funds	-	(23,406)	(23,406)
Total fund balances	<u>155,317</u>	<u>936,856</u>	<u>1,092,173</u>
Total liabilities and fund balances	<u>\$ 400,902</u>	<u>\$ 1,048,734</u>	<u>\$ 1,449,636</u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 712,193	\$ 22,050	\$ 734,243
Interest	1,452	82,439	83,891
Tuition and fees	207,616	-	207,616
Extracurricular activities	192,798	-	192,798
Gifts and donations	7,499	-	7,499
Charges for services	715,617	-	715,617
Rent	-	2,383	2,383
Miscellaneous	512	-	512
Total revenues	<u>1,837,687</u>	<u>106,872</u>	<u>1,944,559</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	182,294	17	182,311
Special	176,005	-	176,005
Support services:			
Pupils	102,613	-	102,613
Instructional staff	210,901	-	210,901
Administration	121,098	-	121,098
Operation and maintenance of plant	-	329,955	329,955
Pupil transportation	810	-	810
Central	21,617	22,050	43,667
Food service operations	787,355	-	787,355
Operation of community services	124,162	-	124,162
Extracurricular activities	210,825	-	210,825
Capital outlay	-	3,664,337	3,664,337
Total expenditures	<u>1,937,680</u>	<u>4,016,359</u>	<u>5,954,039</u>
Excess of revenues over (under) expenditures	<u>(99,993)</u>	<u>(3,909,487)</u>	<u>(4,009,480)</u>
<u>Other financing sources (uses):</u>			
Transfers in	28,525	20,750	49,275
Net change in fund balances	(71,468)	(3,888,737)	(3,960,205)
Fund balances at beginning of year, as restated	226,785	4,825,593	5,052,378
Fund balances at end of year	<u>\$ 155,317</u>	<u>\$ 936,856</u>	<u>\$ 1,092,173</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Food Service	Special Trust	Uniform School Supplies	Public School Support
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 52,198	\$ 25,144	\$ 1,672	\$ 56,221
Receivables:				
Accounts	-	-	-	2,103
Intergovernmental	-	-	-	-
Inventory held for resale	14,139	-	-	-
Materials and supplies inventory	1,969	-	-	-
Total assets	<u>\$ 68,306</u>	<u>\$ 25,144</u>	<u>\$ 1,672</u>	<u>\$ 58,324</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 110
Accrued wages	45,802	-	-	-
Interfund payable	-	-	-	-
Intergovernmental payable	19,840	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>65,642</u>	<u>-</u>	<u>-</u>	<u>110</u>
Fund balances:				
Reserved for encumbrances	8	-	-	1,268
Reserved for endowments	-	8,000	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	2,656	17,144	1,672	56,946
Total fund balances	<u>2,664</u>	<u>25,144</u>	<u>1,672</u>	<u>58,214</u>
Total liabilities and fund balances	<u>\$ 68,306</u>	<u>\$ 25,144</u>	<u>\$ 1,672</u>	<u>\$ 58,324</u>

<u>Miscellaneous Local Grant</u>	<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>
\$ 6,317	\$ 70,938	\$ 11,000	\$ 23,231	\$ -	\$ -	\$ 3,092
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,317</u>	<u>\$ 70,938</u>	<u>\$ 11,000</u>	<u>\$ 23,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,092</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,488	9,919	-	-	-	-	-
-	-	-	-	-	-	-
167	4,332	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,655</u>	<u>14,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	399	-	13,873	-	-	3,092
-	-	-	-	-	-	-
(5,338)	56,288	11,000	9,358	-	-	-
<u>(5,338)</u>	<u>56,687</u>	<u>11,000</u>	<u>23,231</u>	<u>-</u>	<u>-</u>	<u>3,092</u>
<u>\$ 6,317</u>	<u>\$ 70,938</u>	<u>\$ 11,000</u>	<u>\$ 23,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,092</u>

(Continued)

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	School Net Professional Development	Ohio Reads	Student Reading Intervention	IDEA, Part B
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ -	\$ -		\$ 85,664
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	37,742
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,406</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 3,438
Accrued wages	-	-	-	51,382
Interfund payable	-	-	-	37,742
Intergovernmental payable	-	-	-	14,804
Deferred revenue	-	-	-	37,742
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,108</u>
Fund balances:				
Reserved for encumbrances	-	-	-	-
Reserved for endowments	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	-	(21,702)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,702)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,406</u>

Title I	Title V	Drug-Free Schools	EHA Preschool Grant for Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 128	\$ 5,428	\$ -	\$ 341,033
-	-	-	-	-	-	2,103
-	-	-	-	3,916	-	41,658
-	-	-	-	-	-	14,139
-	-	-	-	-	-	1,969
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 9,344</u>	<u>\$ -</u>	<u>\$ 400,902</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,548
4,833	-	-	-	-	-	123,424
-	-	-	-	3,916	-	41,658
70	-	-	-	-	-	39,213
-	-	-	-	-	-	37,742
<u>4,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,916</u>	<u>-</u>	<u>245,585</u>
-	-	-	-	-	-	18,640
-	-	-	-	-	-	8,000
(4,903)	-	-	128	5,428	-	128,677
<u>(4,903)</u>	<u>-</u>	<u>-</u>	<u>128</u>	<u>5,428</u>	<u>-</u>	<u>155,317</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 9,344</u>	<u>\$ -</u>	<u>\$ 400,902</u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Food Service	Special Trust	Uniform School Supplies	Public School Support
<u>Revenues:</u>				
Intergovernmental	\$ 52,352	\$ -	\$ -	\$ -
Interest	889	563	-	-
Tuition and fees	-	-	80,315	26,998
Extracurricular activities	-	-	-	32,946
Gifts and donations	-	-	-	150
Charges for services	715,617	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>768,858</u>	<u>563</u>	<u>80,315</u>	<u>60,094</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	-	103,577	-
Special	-	-	-	-
Support services:				
Pupils	-	-	-	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	787,355	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	1,501	-	64,328
Total expenditures	<u>787,355</u>	<u>1,501</u>	<u>103,577</u>	<u>64,328</u>
Excess of revenues over (under) expenditures	<u>(18,497)</u>	<u>(938)</u>	<u>(23,262)</u>	<u>(4,234)</u>
Transfers in	<u>6,000</u>	<u>-</u>	<u>7,781</u>	<u>8,744</u>
Total other financing sources (uses)	<u>6,000</u>	<u>-</u>	<u>7,781</u>	<u>8,744</u>
Net change in fund balances	(12,497)	(938)	(15,481)	4,510
Fund balances at beginning of year, as restated	<u>15,161</u>	<u>26,082</u>	<u>17,153</u>	<u>53,704</u>
Fund balances at end of year	<u>\$ 2,664</u>	<u>\$ 25,144</u>	<u>\$ 1,672</u>	<u>\$ 58,214</u>

<u>Miscellaneous Local Grant</u>	<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>
\$ 60,571	\$ -	\$ -	\$ -	\$ 8,992	\$ 8,800	\$ 15,000
-	-	-	-	-	-	-
-	100,303	-	-	-	-	-
-	17,070	-	142,782	-	-	-
-	-	-	7,349	-	-	-
-	-	-	-	-	-	-
-	-	-	512	-	-	-
<u>60,571</u>	<u>117,373</u>	<u>-</u>	<u>150,643</u>	<u>8,992</u>	<u>8,800</u>	<u>15,000</u>
-	-	-	-	-	8,800	-
500	-	-	-	-	-	-
59,748	-	-	-	-	-	-
4,451	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	9,578	-	12,039
-	-	-	-	-	-	-
-	122,276	-	1	-	-	-
-	-	-	144,996	-	-	-
<u>64,699</u>	<u>122,276</u>	<u>-</u>	<u>144,997</u>	<u>9,578</u>	<u>8,800</u>	<u>12,039</u>
<u>(4,128)</u>	<u>(4,903)</u>	<u>-</u>	<u>5,646</u>	<u>(586)</u>	<u>-</u>	<u>2,961</u>
-	-	-	6,000	-	-	-
-	-	-	6,000	-	-	-
(4,128)	(4,903)	-	11,646	(586)	-	2,961
<u>(1,210)</u>	<u>61,590</u>	<u>11,000</u>	<u>11,585</u>	<u>586</u>	<u>-</u>	<u>131</u>
<u>\$ (5,338)</u>	<u>\$ 56,687</u>	<u>\$ 11,000</u>	<u>\$ 23,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,092</u>

(Continued)

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	School Net Professional Development	Ohio Reads	Student Reading Intervention	IDEA, Part B
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ 4,000	\$ 50,004	\$ 432,020
Interest	-	-	-	-
Tuition and fees	-	-	-	-
Extracurricular activities	-	-	-	-
Gifts and donations	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>4,000</u>	<u>50,004</u>	<u>432,020</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,140	4,000	-	-
Special	-	-	70,844	92,479
Support services:				
Pupils	-	-	-	42,865
Instructional staff	-	-	-	202,153
Administration	-	-	-	121,098
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	-	-	-	-
Operation of community services	-	-	-	1,885
Extracurricular activities	-	-	-	-
Total expenditures	<u>4,140</u>	<u>4,000</u>	<u>70,844</u>	<u>460,480</u>
Excess of revenues over (under) expenditures	<u>(4,140)</u>	<u>-</u>	<u>(20,840)</u>	<u>(28,460)</u>
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(4,140)	-	(20,840)	(28,460)
Fund balances at beginning of year, as restated	4,140	-	20,840	6,758
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,702)</u>

Title I	Title V	Drug-Free Schools	EHA Preschool Grant for Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
	\$ 11,055	\$ 7,168	\$ 12,030	\$ 50,201	\$ -	\$ 712,193
-	-	-	-	-	-	1,452
-	-	-	-	-	-	207,616
-	-	-	-	-	-	192,798
-	-	-	-	-	-	7,499
-	-	-	-	-	-	715,617
-	-	-	-	-	-	512
-	11,055	7,168	12,030	50,201	-	1,837,687
4,903	6,920	6,358	-	43,596	-	182,294
280		-	11,902	-		176,005
-	-	-	-	-	-	102,613
	4,135	-	-	-	162	210,901
-	-	-	-	-	-	121,098
-	-	810	-	-	-	810
-	-	-	-	-	-	21,617
-	-	-	-	-	-	787,355
-	-	-	-	-	-	124,162
-	-	-	-	-	-	210,825
5,183	11,055	7,168	11,902	43,596	162	1,937,680
(5,183)	-	-	128	6,605	(162)	(99,993)
-	-	-	-	-	-	28,525
-	-	-	-	-	-	28,525
(5,183)	-	-	128	6,605	(162)	(71,468)
280	-	-	-	(1,177)	162	226,785
\$ (4,903)	\$ -	\$ -	\$ 128	\$ 5,428	\$ -	\$ 155,317

Highland Local School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2005

	<u>Permanent Improvement</u>	<u>Building</u>	<u>School Net</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ -	\$ 929,333	\$ -	\$ 929,333
In segregated accounts	-	119,401	-	119,401
Total assets	<u>\$ -</u>	<u>\$ 1,048,734</u>	<u>\$ -</u>	<u>\$ 1,048,734</u>
<u>Liabilities:</u>				
Contracts payable	<u>\$ -</u>	<u>\$ 111,878</u>	<u>\$ -</u>	<u>\$ 111,878</u>
<u>Fund balance:</u>				
Reserved for encumbrances	-	960,262	-	960,262
Unreserved:				
Undesignated, reported in:				
Capital projects funds	-	(23,406)	-	(23,406)
Total fund balance	<u>-</u>	<u>936,856</u>	<u>-</u>	<u>936,856</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 1,048,734</u>	<u>\$ -</u>	<u>\$ 1,048,734</u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2005

	<u>Permanent Improvement</u>	<u>Building</u>	<u>School Net</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 22,050	\$ 22,050
Interest	-	82,439	-	82,439
Rent	2,383	-	-	2,383
Total revenues	<u>2,383</u>	<u>82,439</u>	<u>22,050</u>	<u>106,872</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	17	-	-	17
Support services:				
Operation and maintenance of plant	12,662	317,293	-	329,955
Central	-	-	22,050	22,050
Capital outlay	793,783	2,870,554	-	3,664,337
Total expenditures	<u>806,462</u>	<u>3,187,847</u>	<u>22,050</u>	<u>4,016,359</u>
Excess of revenues over (under) expenditures	<u>(804,079)</u>	<u>(3,105,408)</u>	<u>-</u>	<u>(3,909,487)</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	20,750	-	20,750
Net change in fund balances	(804,079)	(3,084,658)	-	(3,888,737)
Fund balances at beginning of year	804,079	4,021,514	-	4,825,593
Fund balances at end of year	<u>\$ -</u>	<u>\$ 936,856</u>	<u>\$ -</u>	<u>\$ 936,856</u>

**Individual Fund Schedules of Revenues, Expenditures and Changes
in Fund Balance – Budget (Non-GAAP Basis) and Actual
Governmental Funds – Major and Nonmajor**

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Debt Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 2,798,628	\$ 2,798,590	\$ (38)
Intergovernmental	371,146	371,112	(34)
Total revenues	<u>3,169,774</u>	<u>3,169,702</u>	<u>(72)</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Administration	6,422	5,986	436
Fiscal	41,353	41,296	57
Debt service:			
Principal retirement	805,000	805,000	-
Interest and fiscal charges	1,928,756	1,928,756	-
Total expenditures	<u>2,781,531</u>	<u>2,781,038</u>	<u>493</u>
Excess of revenues over (under) expenditures	<u>388,243</u>	<u>388,664</u>	<u>421</u>
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	-	72	72
Net change in fund balance	388,243	388,736	493
Fund balance at beginning of year	917,008	917,008	-
Fund balance at end of year	<u>\$ 1,305,251</u>	<u>\$ 1,305,744</u>	<u>\$ 493</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Food Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 41,803	\$ 41,847	\$ 44
Interest	334	889	555
Charges for services	716,213	715,617	(596)
Total revenues	<u>758,350</u>	<u>758,353</u>	<u>3</u>
<u>Expenditures:</u>			
Current:			
Food service operations	771,934	771,122	812
Excess of revenues over (under) expenditures	<u>(13,584)</u>	<u>(12,769)</u>	<u>815</u>
<u>Other financing sources (uses):</u>			
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Net change in fund balance	(7,584)	(6,769)	815
Fund balance at beginning of year	58,952	58,952	-
Prior year encumbrances appropriated	8	8	-
Fund balance at end of year	<u>\$ 51,376</u>	<u>\$ 52,191</u>	<u>\$ 815</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Special Trust Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 497	\$ 563	\$ 66
<u>Expenditures:</u>			
Current:			
Extracurricular activities	2,550	1,500	1,050
Excess of revenues over (under) expenditures	(2,053)	(937)	1,116
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(509)	-	509
Net change in fund balance	(2,562)	(937)	1,625
Fund balance at beginning of year	26,080	26,080	-
Fund balance at end of year	\$ 23,518	\$ 25,143	\$ 1,625

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 80,245	\$ 80,315	\$ 70
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	104,000	103,579	421
Excess of revenues over (under) expenditures	(23,755)	(23,264)	491
<u>Other financing sources (uses):</u>			
Transfers in	7,800	7,781	(19)
Net change in fund balance	(15,955)	(15,483)	472
Fund balance at beginning of year	17,154	17,154	-
Fund balance at end of year	\$ 1,199	\$ 1,671	\$ 472

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 29,015	\$ 26,998	\$ (2,017)
Extracurricular activities	33,643	32,946	(697)
Gifts and donations	153	150	(3)
Total revenues	<u>62,811</u>	<u>60,094</u>	<u>(2,717)</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	76,380	67,698	8,682
Excess of revenues over (under) expenditures	<u>(13,569)</u>	<u>(7,604)</u>	<u>5,965</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	18	-	(18)
Transfers in	12,000	14,744	2,744
Transfers out	(6,000)	(6,000)	-
Total other financing sources (uses)	<u>6,018</u>	<u>8,744</u>	<u>2,726</u>
Net change in fund balance	(7,551)	1,140	8,691
Fund balance at beginning of year	52,822	52,822	-
Prior year encumbrances appropriated	882	882	-
Fund balance at end of year	<u>\$ 46,153</u>	<u>\$ 54,844</u>	<u>\$ 8,691</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Miscellaneous Local Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 60,571	\$ 60,571	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	500	500	-
Support services:			
Pupils	64,346	59,029	5,317
Instructional staff	4,451	4,451	-
Total expenditures	<u>69,297</u>	<u>63,980</u>	<u>5,317</u>
Net change in fund balance	(8,726)	(3,409)	5,317
Fund balance at beginning of year	9,726	9,726	-
Fund balance at end of year	<u>\$ 1,000</u>	<u>\$ 6,317</u>	<u>\$ 5,317</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Latchkey Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 17,070	\$ 17,070	\$ -
Tuition and fees	100,303	100,303	-
Total revenues	<u>117,373</u>	<u>117,373</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Community services	<u>126,424</u>	<u>119,878</u>	<u>6,546</u>
Net change in fund balance	(9,051)	(2,505)	6,546
Fund balance at beginning of year	73,045	73,045	-
Fund balance at end of year	<u>\$ 63,994</u>	<u>\$ 70,540</u>	<u>\$ 6,546</u>

Underground Storage Tanks Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Total expenditures	-	-	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	11,000	11,000	-
Fund balance at end of year	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 142,782	\$ 142,782	\$ -
Gifts and donations	7,349	7,349	-
Miscellaneous	512	512	-
Total revenues	<u>150,643</u>	<u>150,643</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	163,413	159,737	3,676
Excess of revenues over (under) expenditures	<u>(12,770)</u>	<u>(9,094)</u>	<u>3,676</u>
<u>Other financing sources (uses):</u>			
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Net change in fund balance	(6,770)	(3,094)	3,676
Fund balance at beginning of year	6,967	6,967	-
Prior year encumbrances appropriated	5,485	5,485	-
Fund balance at end of year	<u>\$ 5,682</u>	<u>\$ 9,358</u>	<u>\$ 3,676</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Management Information Systems Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,992	\$ 8,992	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	9,578	9,578	-
Net change in fund balance	(586)	(586)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	586	586	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Entry Year Programs Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,800	\$ 8,800	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,800	8,800	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Data Communications Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 15,000	\$ 15,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	15,382	15,382	-
Net change in fund balance	(382)	(382)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	382	382	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SchoolNet Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,140	\$ 4,140	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,140	4,140	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Ohio Reads Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,000	\$ 4,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,000	4,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Student Reading Intervention Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 50,004	\$ 50,004	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	70,844	70,844	-
Net change in fund balance	(20,840)	(20,840)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	20,840	20,840	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

IDEA Part B Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 485,032	\$ 485,033	\$ 1
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	107,811	80,544	27,267
Support services:			
Pupils	45,850	38,172	7,678
Instructional staff	234,555	196,779	37,776
Administration	133,239	121,842	11,397
Total expenditures	521,455	437,337	84,118
Excess of revenues over (under) expenditures	(36,423)	47,696	84,119
<u>Other financing sources (uses):</u>			
Advances in	37,742	37,742	-
Advances out	(53,013)	(53,013)	-
Total other financing sources (uses)	(15,271)	(15,271)	-
Net change in fund balance	(51,694)	32,425	84,119
Fund balance at beginning of year	44,478	44,478	-
Prior year encumbrances appropriated	7,216	7,216	-
Fund balance at end of year	\$ -	\$ 84,119	\$ 84,119

Title I Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,664	\$ 2,664	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	7,457	7,457	-
Excess of revenues over (under) expenditures	(4,793)	(4,793)	-
<u>Other financing sources (uses):</u>			
Advances out	(2,663)	(2,663)	-
Net change in fund balance	(7,456)	(7,456)	-
Fund balance at beginning of year	7,456	7,456	-
Fund balance at end of year	\$ -	\$ -	\$ -

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 11,055	\$ 11,055	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,055	6,920	135
Support services:			
Instructional staff	4,000	4,135	(135)
Total expenditures	11,055	11,055	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Drug-Free Schools Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 10,218	\$ 10,218	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,359	6,359	-
Support services:			
Pupil transportation	809	809	-
Total expenditures	7,168	7,168	-
Excess of revenues over (under) expenditures	3,050	3,050	-
<u>Other financing sources (uses):</u>			
Advances out	(3,050)	(3,050)	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

EHA Preschool Grant for Handicapped Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 12,030	\$ 12,030	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	12,030	11,901	129
Net change in fund balance	-	129	129
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 129	\$ 129

Improving Teacher Quality Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 54,271	\$ 54,271	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	59,180	53,752	5,428
Excess of revenues over (under) expenditures	(4,909)	519	5,428
<u>Other financing sources (uses):</u>			
Advances in	3,916	3,916	-
Advances out	(7,986)	(7,986)	-
Total other financing sources (uses)	(4,070)	(4,070)	-
Net change in fund balance	(8,979)	(3,551)	5,428
Fund balance at beginning of year	8,979	8,979	-
Fund balance at end of year	\$ -	\$ 5,428	\$ 5,428

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	\$ 162	\$ 162	\$ -
Net change in fund balance	(162)	(162)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	162	162	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Rent	\$ 2,383	\$ 2,383	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	17	17	-
Support services:			
Operation and maintenance of plant	12,662	12,662	-
Capital outlay	810,453	810,453	-
Total expenditures	823,132	823,132	-
Net change in fund balance	(820,749)	(820,749)	-
Fund balance at beginning of year	149,475	149,475	-
Prior year encumbrances appropriated	671,274	671,274	-
Fund balance at end of year	\$ -	\$ -	\$ -

Building Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 79,981	\$ 82,439	\$ 2,458
<u>Expenditures:</u>			
Capital outlay	5,289,299	5,203,285	86,014
Excess of revenues over (under) expenditures	(5,209,318)	(5,120,846)	88,472
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	1,000	1,000	-
Transfers in	20,750	20,750	-
Total other financing sources (uses)	21,750	21,750	-
Net change in fund balance	(5,187,568)	(5,099,096)	88,472
Fund balance at beginning of year	18,456	18,456	-
Prior year encumbrances appropriated	5,169,112	5,169,112	-
Fund balance at end of year	\$ -	\$ 88,472	\$ 88,472

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

	School Net		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 22,050	\$ 22,050	-
<u>Expenditures:</u>			
Current:			
Support services:			
Central	22,050	22,050	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Internal Service Fund

**Individual Fund Schedule of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual
Self Insurance Fund**

Fiduciary Funds

**Individual Fund Schedule of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual
Endowment Private Purpose Trust Fund**

Statement of Changes in Assets and Liabilities – Agency Fund

Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ 2,938,324	\$ 2,938,391	\$ 67
Other revenues	15,466	15,479	13
Refund of prior year expense	14,249	14,169	(80)
Total revenues	<u>2,968,039</u>	<u>2,968,039</u>	<u>-</u>
<u>Expenses:</u>			
Purchased services	413,362	413,167	195
Other	3,593,117	2,884,714	708,403
Total expenses	<u>4,006,479</u>	<u>3,297,881</u>	<u>708,598</u>
Net change in fund equity	(1,038,440)	(329,842)	708,598
Fund equity at beginning of year	1,040,648	1,040,648	-
Fund equity at end of year	<u>\$ 2,208</u>	<u>\$ 710,806</u>	<u>\$ 708,598</u>

Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2005

Endowment Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 1,275	\$ 1,429	\$ 154
Total revenues	<u>1,275</u>	<u>1,429</u>	<u>154</u>
<u>Expenses:</u>			
Current:			
Support services:			
Pupils	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Net change in fund equity	(1,325)	(1,171)	154
Fund equity at beginning of year	65,670	65,670	-
Fund equity at end of year	<u>\$ 64,345</u>	<u>\$ 64,499</u>	<u>\$ 154</u>

Highland Local School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2005

	Beginning Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2005</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 75,844	\$ 196,951	\$ 193,370	\$ 79,425
<u>Liabilities:</u>				
Due to students	\$ 75,844	\$ 196,951	\$ 193,370	\$ 79,425

STATISTICAL SECTION

Highland Local School District

**Revenues by Source and Expenses by Function - Governmental Activities
Last Three Fiscal Years (1)**

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
Revenues:			
Program revenues:			
Charges for services	\$ 1,354,050	\$ 1,241,414	\$ 1,073,478
Operating grants, contributions and interest	780,934	677,753	601,975
Capital grants and contributions	19,715	18,493	89,869
General revenues:			
Property taxes levied for general purposes	14,206,577	13,436,487	12,988,609
Property taxes levied for debt service	2,821,355	2,547,077	2,451,517
Grants and entitlements	6,674,999	6,615,473	6,724,999
Investment earnings	396,578	392,812	796,721
Miscellaneous	112,606	166,532	342,303
Total revenues	\$ 26,366,814	\$ 25,096,041	\$ 25,069,471
Expenses:			
Current:			
Instruction:			
Regular	\$ 10,782,456	\$ 9,372,735	\$ 8,301,672
Special	2,292,960	2,189,792	2,019,730
Vocational	260,976	237,639	221,771
Other	65,695	31,364	69,763
Support services:			
Pupils	1,056,613	996,550	933,363
Instructional staff	1,605,142	1,402,428	1,339,268
Board of education	21,534	19,977	18,217
Administration	2,279,411	1,746,937	1,536,965
Fiscal	804,491	734,167	652,819
Business	41,990	50,876	53,637
Operation and maintenance of plant	3,493,085	2,316,223	1,511,088
Pupil transportation	1,483,026	1,367,189	1,466,258
Central	153,377	131,127	191,871
Operation of non-instructional services:			
Food service operations	861,737	741,795	693,490
Community services	127,010	93,682	95,703
Extracurricular activities	1,076,287	852,001	830,425
Interest and fiscal charges	1,932,645	1,957,796	1,966,421
Total expenditures	\$ 28,338,435	\$ 24,242,278	\$ 21,902,461

Source: 2005-2003 School District basic financial statements.

(1) Accrual basis will be reported for the last ten years when there are enough years of information available.

Highland Local School District

General Governmental Revenues by Source and Expenditures by Function Last Ten Fiscal Years

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002
<u>Revenues:</u>				
Taxes	\$ 17,036,615	\$ 15,935,352	\$ 15,463,889	\$ 14,538,929
Intergovernmental	7,428,957	7,262,704	7,323,901	6,817,025
Interest	398,030	393,402	800,782	1,747,965
Tuition and fees	399,927	377,354	276,194	184,042
Extracurricular activities	237,995	210,318	197,212	215,505
Gifts and donations	66,080	9,975	34,694	25,217
Charges for services	715,617	653,513	600,072	-
Rentals	3,831	1,995	1,981	-
Miscellaneous	50,706	155,841	134,779	35,291
Total revenues	<u>\$ 26,337,758</u>	<u>\$ 25,000,454</u>	<u>\$ 24,833,504</u>	<u>\$ 23,563,974</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$ 10,080,539	\$ 8,577,629	\$ 7,833,998	\$ 7,446,830
Special	2,248,712	2,152,969	2,051,324	2,011,976
Vocational	250,990	228,428	211,230	200,031
Other	65,695	31,364	69,763	37,726
Support services:				
Pupils	1,039,059	957,325	900,198	791,643
Instructional staff	1,517,063	1,329,558	1,256,031	1,066,087
Board of education	21,534	19,977	18,217	21,438
Administration	2,209,790	1,711,485	1,512,600	1,386,350
Fiscal	789,342	708,440	639,893	576,577
Business	41,217	49,801	52,562	43,337
Operation and maintenance of plant	3,100,399	2,144,278	1,736,157	1,444,642
Pupil transportation	1,321,704	1,165,311	1,308,460	1,151,899
Central	149,469	127,471	189,741	162,936
Food service operations	787,355	701,968	639,626	-
Operation of community services	124,162	97,207	91,238	-
Extracurricular activities	869,346	807,874	788,751	712,490
Capital outlay	5,324,396	18,299,864	17,504,007	2,967,386
Debt service:				
Principal retirement	828,787	759,504	63,719	39,922,064
Interest and fiscal charges	1,934,825	1,959,583	1,966,521	2,116,347
Total expenditures	<u>\$ 32,704,384</u>	<u>\$ 41,830,036</u>	<u>\$ 38,834,036</u>	<u>\$ 62,059,759</u>

Source: 2005-1996 School District audit reports.

Note: For 2002-1996, general government includes all governmental fund types and expendable trust fund; for 2005-2003, general government includes general, special revenue, debt service and capital projects funds.

Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996
\$ 12,354,172	\$ 11,223,255	\$ 10,043,853	\$ 9,041,436	\$ 8,435,516	\$ 8,115,953
5,454,444	4,666,518	4,752,187	4,166,741	4,284,951	4,540,713
597,311	492,076	358,319	350,176	347,174	266,325
42,011	75,626	158,087	176,871	355,390	286,036
133,692	128,882	122,745	111,345	94,816	78,454
26,312	-	18,307	-	-	-
-	-	-	-	-	-
-	-	880	-	-	-
63,981	172,855	119,266	118,625	29,949	30,792
<u>\$ 18,671,923</u>	<u>\$ 16,759,212</u>	<u>\$ 15,573,644</u>	<u>\$ 13,965,194</u>	<u>\$ 13,547,796</u>	<u>\$ 13,318,273</u>
\$ 6,900,655	\$ 6,631,821	\$ 6,526,825	\$ 6,077,644	\$ 5,707,087	\$ 5,405,845
1,662,633	1,583,534	1,561,221	1,475,902	1,300,891	1,215,687
187,423	182,228	171,863	158,581	163,814	181,080
36,769	27,121	41,533	23,278	23,696	29,064
682,467	632,375	636,563	714,424	672,101	664,306
904,511	838,410	675,836	678,152	777,892	528,043
17,434	13,288	12,271	14,900	19,713	12,083
1,358,748	1,251,719	1,290,845	1,262,690	1,233,351	1,101,231
510,379	490,630	405,446	378,076	386,746	313,572
59,474	43,599	60,813	51,382	30,227	28,277
1,388,114	2,019,991	1,275,532	1,462,949	1,266,195	1,211,117
1,012,720	1,002,971	805,837	906,518	854,209	687,974
143,765	134,642	84,531	34,356	46,620	45,056
-	-	-	-	-	-
-	122	-	1,270	-	426
539,987	526,941	473,288	425,364	377,187	350,573
371,270	149,955	158,147	430,507	151,150	101,238
152,721	137,887	138,820	707,372	235,459	234,898
9,402	11,008	18,861	58,859	72,111	90,140
<u>\$ 15,938,472</u>	<u>\$ 15,678,242</u>	<u>\$ 14,338,232</u>	<u>\$ 14,862,224</u>	<u>\$ 13,318,449</u>	<u>\$ 12,200,610</u>

Highland Local School District

**Property Tax Levies and Collections Real, Public Utility Tax and Tangible Personal Property (1)
Last Ten Calendar Years**

<u>Year (2)</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent of Current Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collection</u>	<u>Total Collection as a Percent of Total Levy</u>	<u>Delinquent Taxes Receivable</u>
2004	\$ 19,386,200	\$ 18,483,598	95.34%	\$ 650,423	\$ 19,134,021	98.70%	252,179
2003	18,447,500	17,412,606	94.39%	739,750	18,152,356	98.40%	295,144
2002	15,269,275	14,524,680	95.12%	473,574	14,998,254	98.23%	271,021
2001	14,733,328	14,053,399	95.39%	289,297	14,342,696	97.35%	390,632
2000	13,495,738	12,907,061	95.64%	334,287	13,241,348	98.12%	254,390
1999	12,515,672	11,954,285	95.51%	325,333	12,279,618	98.11%	236,054
1998	10,220,956	9,772,905	95.62%	240,411	10,013,316	97.97%	207,640
1997	9,862,623	9,406,783	95.38%	284,692	9,691,475	98.26%	171,148
1996	9,467,576	9,030,672	95.39%	325,486	9,356,158	98.82%	111,418
1995	\$ 9,068,950	\$ 8,755,693	96.55%	\$ 250,727	\$ 9,006,420	99.31%	\$ 62,530

Sources: Medina County Auditor, Summit County Fiscal Officer & Highland Local School District.

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County.

(1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

(2) Represents collection year 2004. 2005 information cannot be presented because all collections have not been made by June 30.

Highland Local School District

**Assessed Valuation and Estimated Actual Value of Taxable Property
Last Ten Collection Years**

Collection Year	Real Property (1)		Public Utility (2)		Tangible Personal Property (3)		Total	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value
2005	\$ 544,265,570	\$ 1,555,044,486	\$ 13,079,750	\$ 14,863,352	\$ 17,980,743	\$ 71,922,972	\$ 575,326,063	\$ 1,641,830,810
2004	477,698,180	1,364,851,943	12,701,290	14,433,284	17,197,552	68,790,208	507,597,022	1,448,075,435
2003	454,235,080	1,297,814,514	12,435,380	14,131,114	20,009,825	80,039,300	486,680,285	1,391,984,928
2002	435,459,990	1,244,171,400	11,900,010	13,522,739	18,012,416	72,049,664	465,372,416	1,329,743,803
2001	350,293,050	1,000,837,286	15,936,500	18,109,659	19,629,432	78,517,728	385,858,982	1,097,464,673
2000	333,887,290	953,963,686	15,446,030	17,552,307	14,886,057	59,544,228	364,219,377	1,031,060,221
1999	317,527,910	907,222,600	16,966,630	19,280,261	12,843,740	51,374,960	347,338,280	977,877,821
1998	291,896,800	833,990,857	16,437,240	18,678,682	9,995,510	39,982,040	318,329,550	892,651,579
1997	276,276,820	789,362,343	17,684,610	20,096,148	10,677,000	42,708,000	304,638,430	852,166,491
1996	\$ 266,244,040	\$ 760,697,257	\$ 17,688,120	\$ 20,100,137	\$ 9,567,270	\$ 38,269,080	\$ 293,499,430	\$ 819,066,474

69

Source: Medina County Auditor and Summit County Fiscal Officer.

Note: Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County.

- (1) Real estate value is assessed at 35% of appraised market value.
- (2) Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.
- (3) Tangible personal property is assessed at 25% of true value for capital assets and 24% of true value for inventory.

Highland Local School District
Property Tax Rates - Direct and Overlapping Governments
Last Ten Calendar Years

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
2005	Brunswick Hills	71.32	8.22	11.85	3.05	-	1.50	1.25	97.19
	Granger Twp.	71.32	8.22	4.10	3.05	-	1.50	1.25	89.44
	Hinckley Twp.	71.32	8.22	13.05	3.05	-	2.85	1.25	99.74
	Medina Twp.	71.32	8.22	5.60	3.05	-	1.50	1.25	90.94
	Montville Twp.	71.32	8.22	9.95	3.05	-	1.50	1.25	95.29
	Sharon Twp.	71.32	8.22	7.40	3.05	-	1.50	1.25	92.74
	Wadsworth City	71.32	8.22	-	3.05	5.80	1.50	1.25	91.14
2004	Brunswick Hills	71.32	8.23	12.35	3.05	-	1.50	1.25	97.70
	Granger Twp.	71.32	8.23	4.10	3.05	-	1.50	1.25	89.45
	Hinckley Twp.	71.32	8.23	13.05	3.05	-	2.55	1.25	99.45
	Medina Twp.	71.32	8.23	5.60	3.05	-	1.50	1.25	90.95
	Montville Twp.	71.32	8.23	9.95	3.05	-	1.50	1.25	95.30
	Sharon Twp.	71.32	8.23	7.40	3.05	-	1.50	1.25	92.75
	Wadsworth City	72.25	8.23	-	-	5.80	1.00	1.25	88.53
2003	Brunswick Hills	71.32	8.24	12.35	3.05	-	1.75	1.25	97.96
	Granger Twp.	71.32	8.24	4.10	3.05	-	1.75	1.25	89.71
	Hinckley Twp.	71.32	8.24	13.05	3.05	-	2.80	1.25	99.71
	Medina Twp.	71.32	8.24	5.60	3.05	-	1.75	1.25	91.21
	Montville Twp.	71.32	8.24	9.95	3.05	-	1.75	1.25	95.56
	Sharon Twp.	71.32	8.24	7.40	3.05	-	1.75	1.25	93.01
	Wadsworth City	66.35	8.24	-	3.05	5.80	2.25	1.25	86.94
2002	Brunswick Hills	71.32	8.06	12.60	3.05	-	1.75	1.25	98.03
	Granger Twp.	71.32	8.06	4.10	3.05	-	1.75	1.25	89.53
	Hinckley Twp.	71.32	8.06	13.05	3.05	-	2.80	1.25	99.53
	Medina Twp.	71.32	8.06	5.60	3.05	-	1.75	1.25	91.03
	Montville Twp.	71.32	8.06	9.95	3.05	-	1.75	1.25	95.38
	Sharon Twp.	71.32	8.06	7.40	3.05	-	1.75	1.25	92.83
	Wadsworth City	71.32	8.06	-	3.05	5.80	1.75	1.25	91.23
2001	Brunswick Hills	66.58	8.19	12.60	3.05	-	0.50	1.25	92.17
	Granger Twp.	66.58	8.19	4.10	3.05	-	0.50	1.25	83.67
	Hinckley Twp.	66.58	8.19	11.05	3.05	-	1.55	1.25	91.67
	Medina Twp.	66.58	8.19	5.60	3.05	-	0.50	1.25	85.17
	Montville Twp.	66.58	8.19	9.95	3.05	-	0.50	1.25	89.52
	Sharon Twp.	66.58	8.19	7.40	3.05	-	0.50	1.25	86.97
	Wadsworth City	66.58	8.19	-	3.05	5.80	0.50	1.25	85.37
2000	Brunswick Hills	65.38	8.20	12.60	3.05	-	1.75	1.25	92.23
	Granger Twp.	65.38	8.20	2.60	3.05	-	1.75	1.25	82.23
	Hinckley Twp.	65.38	8.20	11.05	3.05	-	2.80	1.25	91.73
	Medina Twp.	65.38	8.20	5.60	3.05	-	1.75	1.25	85.23
	Montville Twp.	65.38	8.20	10.95	3.05	-	1.75	1.25	90.58
	Sharon Twp.	65.38	8.20	8.40	3.05	-	1.75	1.25	88.03
	Wadsworth City	65.38	8.20	-	3.05	5.80	1.75	1.25	85.43
1999	Brunswick Hills	64.18	7.92	7.60	3.05	-	1.75	1.25	85.75
	Granger Twp.	64.18	7.92	2.60	3.05	-	1.75	1.25	80.75
	Hinckley Twp.	64.18	7.92	11.05	3.05	-	2.80	1.25	90.25
	Medina Twp.	64.18	7.92	5.60	3.05	-	1.75	1.25	83.75
	Montville Twp.	64.18	7.92	10.95	3.05	-	1.75	1.25	89.10
	Sharon Twp.	64.18	7.92	8.40	3.05	-	1.75	1.25	86.55
	Wadsworth City	64.18	7.92	-	3.05	5.80	1.75	1.25	83.95

Highland Local School District

Property Tax Rates - Direct and Overlapping Governments

Last Ten Calendar Years

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
1998	Brunswick Hills	58.68	7.95	7.60	3.05	-	1.75	1.25	80.28
	Granger Twp.	58.68	7.95	2.60	3.05	-	1.75	1.25	75.28
	Hinckley Twp.	58.68	7.95	11.05	3.05	-	2.80	1.25	84.78
	Medina Twp.	58.68	7.95	5.60	3.05	-	1.75	1.25	78.28
	Montville Twp.	58.68	7.95	10.95	3.05	-	1.75	1.25	83.63
	Sharon Twp.	58.68	7.95	8.40	3.05	-	1.75	1.25	81.08
	Wadsworth City	58.68	7.95	-	3.05	5.80	1.75	1.25	78.48
1997	Brunswick Hills	59.28	7.97	7.60	3.05	-	1.75	1.25	80.90
	Granger Twp.	59.28	7.97	2.60	3.05	-	1.75	1.25	75.90
	Hinckley Twp.	59.28	7.97	11.05	3.05	-	2.80	1.25	85.40
	Medina Twp.	59.28	7.97	5.60	3.05	-	1.75	1.25	78.90
	Montville Twp.	59.28	7.97	9.45	3.05	-	1.75	1.25	82.75
	Sharon Twp.	59.28	7.97	8.40	3.05	-	1.75	1.25	81.70
	Wadsworth City	59.28	7.97	-	3.05	5.80	1.75	1.25	79.10
1996	Brunswick Hills	59.28	7.98	7.60	3.05	-	1.75	1.25	80.91
	Granger Twp.	59.28	7.98	2.60	3.05	-	1.75	1.25	75.91
	Hinckley Twp.	59.28	7.98	11.05	3.05	-	2.80	1.25	85.41
	Medina Twp.	59.28	7.98	5.60	3.05	-	1.75	1.25	78.91
	Montville Twp.	59.28	7.98	10.45	3.05	-	1.75	1.25	83.76
	Sharon Twp.	59.28	7.98	8.40	3.05	-	1.75	1.25	81.71
	Wadsworth City	59.28	7.98	-	3.05	5.80	1.75	1.25	79.11

Source: Medina County Auditor and Summit County Fiscal Officer.

Note: The rates are per \$1,000 of assessed valuation. Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County.

Highland Local School District

Computation of Legal Debt Margin

June 30, 2005

Assessed Valuation (2004) \$ 575,326,063

Bonded Debt Limit - 9% of Assessed Value (1) 51,779,346

Outstanding debt:

School Improvement Bonds 38,340,000

Less: Amount available in debt service fund (1,494,645)

Total outstanding debt \$ 36,845,355

Amount of debt applicable to debt limit 36,845,355

Voted Debt Margin \$ 14,933,991

Bonded Debt Limit - .10% of Assessed Value (1) \$ 575,326

Outstanding debt:

School Improvement Bonds 38,340,000

Less: Amount available in debt service fund (1,494,645)

Total outstanding debt \$ 36,845,355

Less exemptions:

School Improvement Bonds 38,340,000

Less: Amount available in debt service fund (1,494,645)

Total exemptions \$ 36,845,355

Amount of debt applicable to debt limit -

Unvoted Debt Margin \$ 575,326

Sources: Medina County Auditor, Summit County Fiscal Officer and School District financial records.

(1) Ohio Bond Law sets a limit of 9% of assessed value for voted debt and 1/10 of 1% for unvoted debt. All School District debt subject to the limitation is voted.

Highland Local School District

**Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years**

<u>Collection Year</u>	<u>Net General Obligation Bonded Debt</u>	<u>Assessed Value</u>	<u>Population (1)/(2)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2005	\$ 38,340,000	\$ 575,326,063	22,708	6.66%	1,688.39
2004	39,145,000	507,597,022	22,708	7.71%	1,723.84
2003	39,860,000	486,680,285	22,708	8.19%	1,755.33
2002	39,900,000	465,372,416	22,708	8.57%	1,757.09
2001	-	385,858,982	22,708	0.00%	0.00
2000	130,000	364,219,377	16,875	0.04%	7.70
1999	260,000	347,338,280	16,875	0.07%	15.41
1998	390,000	318,329,550	16,875	0.12%	23.11
1997	1,089,200	304,638,430	16,875	0.36%	64.55
1996	\$ 1,317,100	\$ 293,499,430	16,875	0.45%	78.05

Sources: U.S. Census Bureau, Medina County Auditor, Summit County Fiscal Officer and 1996-2005 School District audit reports.

- (1) Population data for 1996 through 2000 was assumed to be the same as the 1990 census as interim data was not available.
- (2) Population data for 2001 through 2005 was assumed to be the same as the 2000 census as interim data was not available.

Highland Local School District

**Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt to Total Governmental Expenditures
Last Ten Fiscal Years**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Governmental Expenditures (Percentages)</u>
2005	\$ 805,000	\$ 1,928,756	\$ 2,733,756	\$ 32,704,384	8.36%
2004	715,000	1,952,563	2,667,563	41,830,036	6.38%
2003	40,000	1,963,888	2,003,888	38,834,036	5.16%
2002	39,900,000	2,112,059	42,012,059	62,059,759	67.70%
2001	130,000	3,575	133,575	15,938,472	0.84%
2000	130,000	10,725	140,725	15,678,242	0.90%
1999	130,000	17,875	147,875	14,338,232	1.03%
1998	699,200	57,219	756,419	14,862,224	5.09%
1997	227,900	69,865	297,765	13,318,449	2.24%
1996	\$ 227,900	\$ 87,332	\$ 315,232	\$ 12,200,610	2.58%

Sources: School District records and audit reports.

Highland Local School District
Demographic Statistics

Selected Population Characteristic	2000	1990
<u>Population</u>	22,708	16,875
<u>Age Distribution</u>		
Median	40	36
< 17 Years	5,942	4,463
18-64 Years	14,323	10,825
65+ Years	2,443	1,587
<u>Race</u>		
White	22,216	16,721
Black	105	40
Other	387	114

Source: U.S. Census Bureau.

Note: Used only significant townships: Granger Twp., Hinckley Twp., Medina Twp., Sharon Twp.

Highland Local School District
Property Values, Bank Deposits and Construction
Last Ten Calendar Years

<u>Year</u>	<u>Total Assessed Values</u>	<u>Certified Bank Deposits</u>	<u>Value of New Construction</u>
2005	\$ 575,326,063	\$ 274,039,000	\$ 20,044,230
2004	507,597,022	276,271,000	18,295,860
2003	486,680,285	230,397,000	15,182,710
2002	465,372,416	191,217,000	17,029,810
2001	385,858,982	151,846,000	13,517,380
2000	364,219,377	129,769,000	12,789,550
1999	347,338,280	159,232,558	10,897,380
1998	318,329,550	618,560,551	13,366,420
1997	304,638,430	97,862,101	9,749,260
1996	\$ 293,499,430	\$ 873,151,487	\$ 9,334,270

Sources:

Total assessed value - Medina County Auditor and Summit County Fiscal Officer.

Financial institution deposits - Cleveland Federal Reserve Board.

Value of new construction - Highland Local School District.

Highland Local School District

Principal Taxpayers

Top Taxpayers	Assessed Valuations					Percent of Total	Estimated Actual Valuations			
	Real Property	Tangible Personal	Public Utility	Total	Real Property		Tangible Personal	Public Utility	Total	
Ohio Edison Company	\$ -	\$ -	\$ 5,735,690	\$ 5,735,690	1.00%	\$ -	\$ -	\$ 22,942,760	\$ 22,942,760	
Verizon North Inc.	-	-	2,007,150	2,007,150	0.35%	-	-	8,028,600	8,028,600	
A. Schulman, Inc.	-	1,698,070	-	1,698,070	0.30%	-	1,929,625	-	1,929,625	
Avalon RV Center, Inc.	-	1,544,470	-	1,544,470	0.27%	-	1,755,080	-	1,755,080	
Atlantic Tool & Die Co.	-	1,212,350	-	1,212,350	0.21%	-	1,377,670	-	1,377,670	
Pinicale Sports	1,166,550	-	-	1,166,550	0.20%	3,333,000	-	-	3,333,000	
Structured Management	1,160,370	-	-	1,160,370	0.20%	3,315,343	-	-	3,315,343	
Wakefield Run Development	1,059,490	-	-	1,059,490	0.18%	3,027,114	-	-	3,027,114	
Nicholas & Demetra Spiritos	1,038,750	-	-	1,038,750	0.18%	2,967,857	-	-	2,967,857	
Sharon Club Company	973,340	-	-	973,340	0.17%	2,780,971	-	-	2,780,971	
Total Top Ten Taxpayers	\$ 5,398,500	\$ 4,454,890	\$ 7,742,840	\$ 17,596,230	3.06%	\$ 15,424,285	\$ 5,062,375	\$ 30,971,360	\$ 51,458,020	
Total All Assessed Valuations	\$ 544,265,570	\$ 17,980,743	\$ 13,079,750	\$ 575,326,063	100.00%					

97

Source: Highland Local School District.

Highland Local School District
Computation of Direct and Overlapping Bonded Debt
June 30, 2005

	<u>Assessed Valuation</u>	<u>Net General Tax Supported Debt (1)</u>	<u>Percent Overlapping (2)</u>	<u>Amount Applicable Highland Local School District</u>
Highland Local School District	\$ 575,326,063	\$ 36,845,355	100.00%	\$ 36,845,355
Brunswick Hills Township	177,913,149	-	2.42%	-
Granger Township	162,905,098	-	84.70%	-
Hinckley Township	255,190,778	-	65.46%	-
Medina Township	321,150,770	-	0.58%	-
Montville Township	272,500,539	-	11.65%	-
Sharon Township	183,802,301	-	85.47%	-
Wadsworth City	445,170,435	-	0.61%	-
		<u>\$ 36,845,355</u>		<u>\$ 36,845,355</u>

Sources: Medina County Auditor, Summit County Fiscal Officer & Local finance departments.

(1) Includes all general obligation bonds and notes at June 30, 2005.

(2) Overlapping percentages are calculated based on overlapping valuation and total entity valuation.

Highland Local School District

Directory of School Facilities

June 30, 2005

<u>FACILITY</u>	<u>ADDRESS</u>	<u>PRINCIPAL</u>	<u>GRADES</u>
Highland High School	4150 Ridge Road Medina, OH 44256	Mr. Charles Grimes	9-12
Highland Middle School	3880 Ridge Road Medina, OH 44256	Dr. John Deuber	6-8
Granger Elementary School	3940 Ridge Road Medina, OH 44256	Mrs. Linda Collins	K-5
Hinckley Elementary School	1586 Center Road Hinckley, OH 44233	Mrs. Stacie Rastok	K-5
Sharon Elementary School	6335 Ridge Road P.O. Box 179 Sharon Center, OH 44274	Mrs. Constance Marzullo	K-5

Source: Highland Local School District records.

Highland Local School District

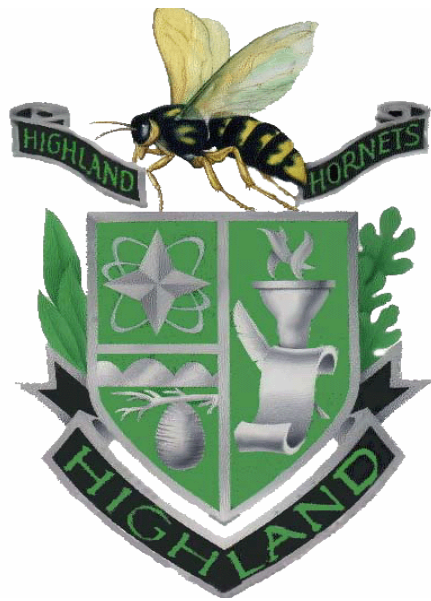
Miscellaneous Statistics

Last Ten Fiscal Years

	<u>Fiscal Year Ended June 30, 2005</u>	<u>Fiscal Year Ended June 30, 2004</u>	<u>Fiscal Year Ended June 30, 2003</u>	<u>Fiscal Year Ended June 30, 2002</u>
Fall Enrollment	2,914	2,735	2,585	2,494
Average Teacher Salary	\$ 46,327	\$ 48,040	\$ 46,759	\$ 43,807
Pupil Attendance Rate	96.00%	96.20	96.00	95.90
Graduation Rate	96.50%	96.10	96.00	96.50
Average Number of Students Per Teacher	14.87	22.10	20.20	20.50
Teacher Attendance Rate	95.70%	95.80	95.90	95.50
Annual Spending Per Pupil	\$ 8,122	\$ 7,315	\$ 7,154	\$ 6,970

Sources: Ohio Department of Education and School District records.

<u>Fiscal Year Ended June 30, 2001</u>	<u>Fiscal Year Ended June 30, 2000</u>	<u>Fiscal Year Ended June 30, 1999</u>	<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>	<u>Fiscal Year Ended June 30, 1996</u>
2,421	2,292	2,385	2,352	2,223	2,197
\$ 42,350	\$ 41,545	\$ 39,976	\$ 47,468	\$ 46,317	\$ 44,020
95.50	95.50	96.30	96.31	95.86	95.97
94.10	95.30	90.50	90.40	86.59	90.73
20.20	20.50	20.60	22.60	24.30	24.50
95.30	96.00	95.80	96.00	96.35	96.72
\$ 6,588	\$ 6,940	\$ 6,174	\$ 6,186	\$ 5,551	\$ 5,245





**Auditor of State
Betty Montgomery**

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA 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
JANUARY 17, 2006**