

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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Mary Taylor, CPA

Auditor of State

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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated October 31, 2008.

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*.

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated October 31, 2008.

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



Mary Taylor, CPA
Auditor of State

October 31, 2008



Mary Taylor, CPA

Auditor of State

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 each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

Federal Awards Receipts and Expenditures Schedule

We have also 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, 2008, and have issued our report thereon dated October 31, 2008. 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, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 31, 2008

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ <i>Pass Through Grantor</i> / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	048496-6BSF-2007	84.027	\$103,981		\$120,780	
	048496-6BSF-2008		440,849		427,180	
Total Special Education -Grants to States			544,830		547,960	
Special Education - Preschool Grants	048496-PGS1-2007	84.173	1,202			
	048496-PGS1-2008		10,582		12,157	
Total Special Education - Preschool Grants			11,784		12,157	
Total Special Education Cluster			556,614		560,117	
State Grants for Innovative Programs	048496-C2S1-2007	84.298			290	
	048496-C2S1-2008		5,675		5,850	
Total State Grants for Innovative Programs			5,675		6,140	
Safe and Drug-Free Schools and Communities-State Grants	048496-DRS1-2007	84.186	3,106			
	048496-DRS1-2008		5,651		5,651	
Total Safe and Drug-Free Schools and Communities-State Grants			8,757		5,651	
Improving Teacher Quality State Grants	048496-TRS1-2007	84.367	95		832	
	048496-TRS1-2008		51,777		51,777	
Total Improving Teacher Quality State Grants			51,872		52,609	
<i>Passed through the Educational Service Center of Cuyahoga County</i>						
English Language Acquisition Grant		84.365	816		808	
Total U.S. Department of Education			623,734		625,325	
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	048496-LLP4-2007	10.555	11,110		11,110	
	048496-LLP4-2008		82,778	\$54,733	82,778	\$51,030
Total National School Lunch Program			93,888	54,733	93,888	51,030
School Breakfast Program	048496-05PU-2007	10.553	1,288		1,288	
	048496-05PU-2008		7,745	6,353	7,745	5,923
Total School Breakfast Program			9,033	6,353	9,033	5,923
Total Child Nutrition Cluster			102,921	61,086	102,921	56,953
Total U.S. Department of Agriculture			102,921	61,086	102,921	56,953
Totals			\$726,655	\$61,086	\$728,246	\$56,953

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, 2008**

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 federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

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 value of the commodities received and consumed.

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDING
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster, CFDA 10.555 and 10.553; Special Education Cluster, CFDA 84.027 and 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

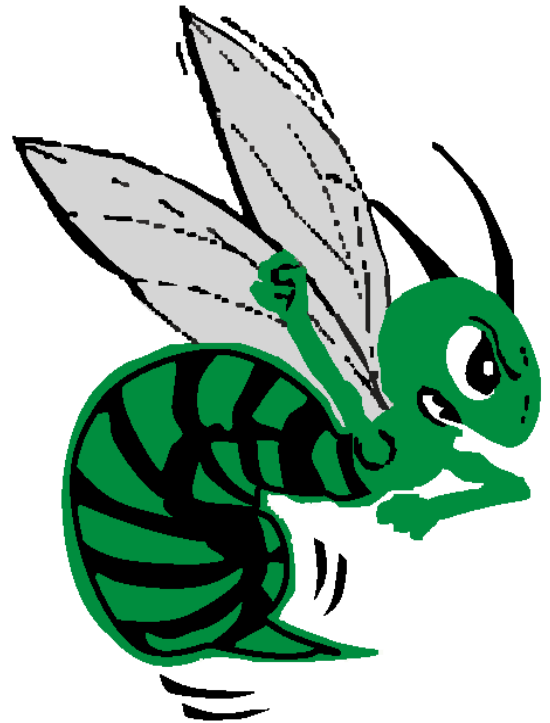
None

Highland Local School
District
Medina, Ohio

Home of the Highland Hornets

Comprehensive
Annual
Financial
Report

For the Fiscal Year Ended
June 30, 2008





Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2008

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Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2008

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INTRODUCTORY SECTION





Highland Local Schools

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

October 31, 2008

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, 2008, 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 2007-2008 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.

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.

Management's discussion and analysis (MD&A) immediately follows the independent accountants' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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 Hills 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.

The School District has been rated "Excellent" each of the nine years the rating system has been in effect. In the 2007-2008 school year, Highland achieved the new rating of "Excellent with Distinction," one of seventy-four districts to receive this rating from the Ohio Department of Education.

As of June 30, 2008, the School District had 3,300 public students enrolled in five schools: Sharon Elementary, Hinckley Elementary, Granger Elementary, Highland Middle School housing grades 6 through 8, and 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 3,300 students in the School District attended the Medina County Career Center during the 2007-2008 school year.

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, Dr. Norman Christopher, President, Mr. M. Brooks Rorapaugh, Vice President, Dr. Nancy Wingenbach, Mr. Robert Kelly, and Mr. Michael Houska.

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. One further extension was granted for the 2007-2008 contract year.

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. On October 24, 2007, Mrs. Markle was given a four and ½ year contract expiring July, 2012.

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 ensure 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.

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 seven 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, 2008. 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, 2007. 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

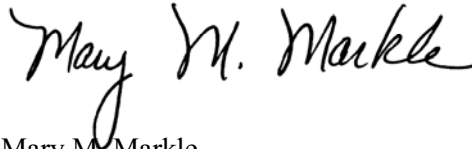
For a more in depth discussion of the financial condition of the Highland Local School District, please refer to the Management's Discussion and Analysis and the Notes to the Basic Financial Statements of the Comprehensive Annual Financial Report.

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 2008 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 initial "M".

Mary M. Markle
Treasurer

Highland Local School District
Public Officials Roster
For the Fiscal Year Ended June 30, 2008

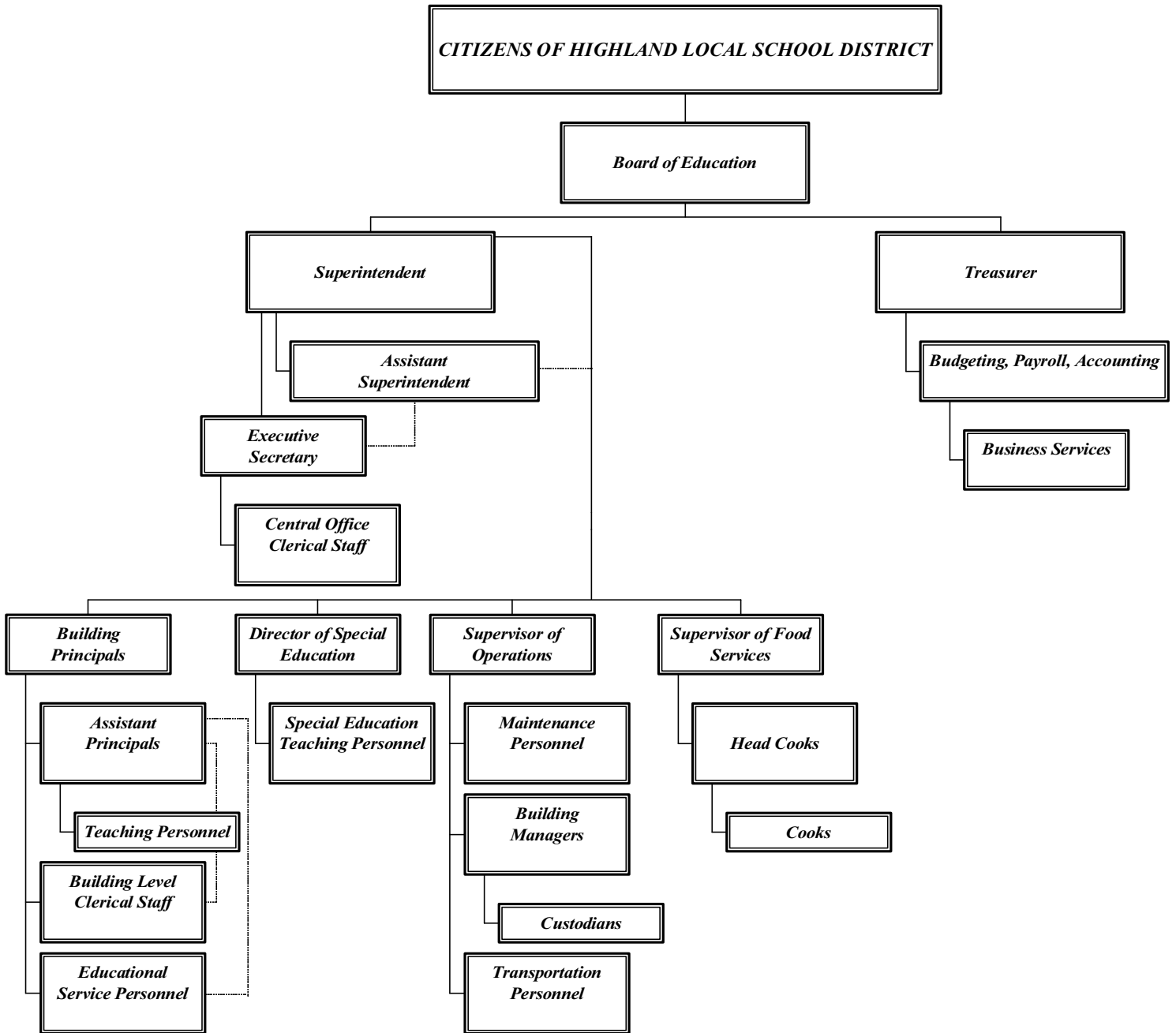
Board of Education

Norman Christopher, M.D.	Board Member, President
M. Brooks Rorapaugh	Board Member, Vice President
Nancy Wingenbach, Ph. D.	Board Member
Robert Kelly	Board Member
Michael Houska	Board Member

Administration

Dr. Bruce Armstrong	Superintendent
Mary M. Markle	Treasurer
Dr. John Opperman	Director of Special Education
Craig Bailey	Interim Director of Curriculum and Instruction
James Reusch	Supervisor of Operations
Tracy Goebel	Community Information Coordinator
Daryl Kubulis	Highland High School Principal
Peter Ulrich	Highland High School Associate Principal
Dr. John Deuber	Highland Middle School Principal
Ray Braunscheidel	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

**Highland Local School District
Organizational Chart**



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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION





Mary Taylor, CPA

Auditor of State

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, 2008, 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, 2008, and the respective changes in financial position and where applicable, cash flows, 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 October 31, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 31, 2008

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

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, 2008. 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 2008 are as follows:

- Net assets of governmental activities decreased \$959,921 representing more than a 4 percent decrease from 2007.
- General revenues accounted for \$26,282,205 in revenue or 90.7 percent of all revenues. Program revenues in the form of charges for services, operating and capital grants, contributions and interest accounted for \$2,697,375 or 9.3 percent of total revenues of \$28,979,580.
- The School District had \$29,939,501 in expenses related to governmental activities; only \$2,697,375 of these expenses was offset by program specific revenues. General revenues of \$26,282,205 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 \$12,396,730, a decrease of \$767,279 from the prior fiscal year. The decrease was due largely to a decrease within the general fund. The general fund reported a decrease in revenues that was greater than the increase in expenditures as compared to last year.

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.

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 2008?" 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 net 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 District's 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, 2008
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 2008 and 2007:

		Table 1 Net Assets	
		<u>Governmental Activities</u>	
		<u>2008</u>	<u>2007</u>
<u>Assets:</u>			
Current and other assets	\$	36,959,150	\$ 36,575,985
Capital assets, net of depreciation		<u>44,148,719</u>	<u>45,655,552</u>
Total assets		<u>81,107,869</u>	<u>82,231,537</u>
 <u>Liabilities:</u>			
Current and other liabilities		22,612,790	21,880,314
Long-term liabilities:			
Due within one year		1,772,322	1,495,215
Due in more than one year		<u>36,201,208</u>	<u>37,374,538</u>
Total liabilities		<u>60,586,320</u>	<u>60,750,067</u>
 <u>Net Assets:</u>			
Invested in capital assets, net of related debt		8,177,748	8,125,241
Restricted		4,111,991	2,711,310
Unrestricted		<u>8,231,810</u>	<u>10,644,919</u>
Total net assets	\$	<u>20,521,549</u>	\$ <u>21,481,470</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the School District's assets exceeded liabilities by \$20,521,549.

Invested in capital assets, net of related debt reported on the government-wide statements represents a large portion of the School District's net assets for fiscal year 2008. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures, and equipment, vehicles and construction in progress 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, \$4,111,991 or 20.0 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$2,501,332, or 60.8 percent, is restricted for debt service payments; \$1,141,918, or 27.8 percent, is restricted for capital projects; and \$468,741 or 11.4 percent is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$8,231,810 may be used to meet the School District's ongoing obligations to students and staff.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows change in net assets for fiscal years 2008 and 2007.

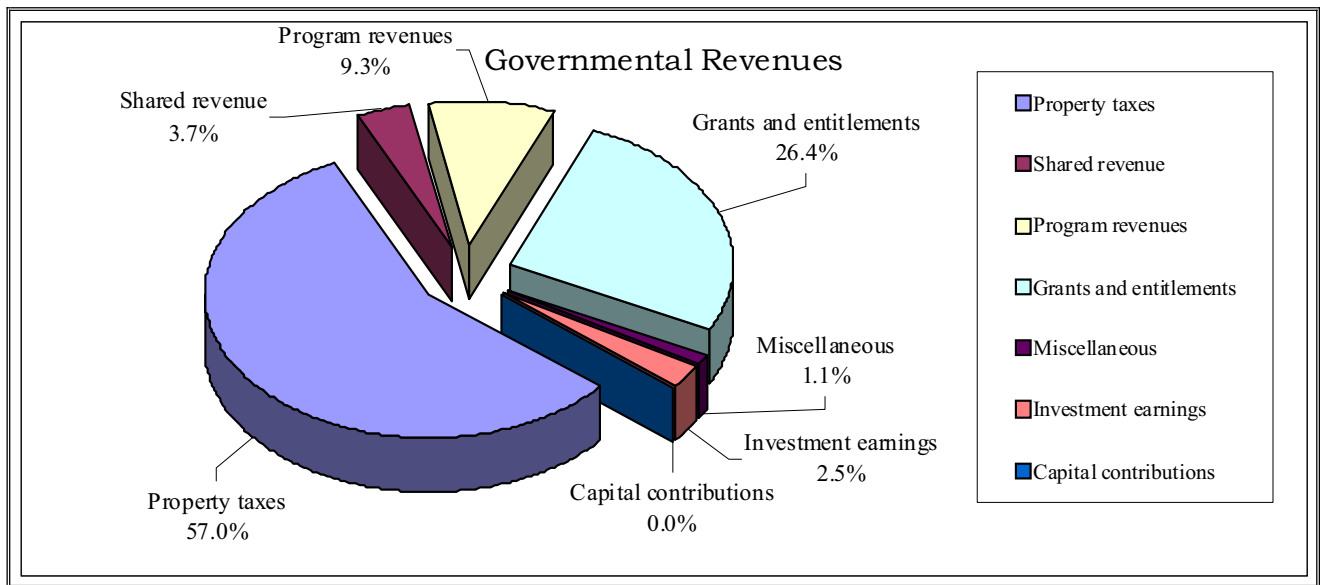
Table 2
Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 1,715,014	\$ 1,625,262
Operating grants, contributions and interest	969,348	872,598
Capital grants, contributions and interest	13,013	54,081
General revenues:		
Property taxes	16,526,304	18,384,269
Shared revenue	1,083,075	-
Grants and entitlements	7,639,433	7,611,072
Investment earnings	710,732	892,439
Miscellaneous	313,020	200,146
Capital contributions	9,641	-
Total revenues	<u>28,979,580</u>	<u>29,639,867</u>
<u>Program Expenses:</u>		
Instruction:		
Regular	11,630,853	11,694,726
Special	2,532,361	2,391,597
Vocational	295,393	278,131
Adult/continuing	-	521
Other	307,011	332,028
Support services:		
Pupils	1,381,581	1,262,276
Instructional staff	1,583,859	1,657,555
Board of education	33,005	27,888
Administration	2,123,603	2,021,332
Fiscal	810,182	749,712
Business	44,154	78,529
Operation and maintenance of plant	3,191,462	3,203,861
Pupil transportation	1,688,917	1,527,721
Central	181,280	197,879
Food service operations	1,013,841	986,923
Community services	156,968	146,024
Extracurricular activities	1,353,162	1,277,106
Interest and fiscal charges	1,611,869	1,636,900
Total expenses	<u>29,939,501</u>	<u>29,470,709</u>
Increase (decrease) in net assets	<u>\$ (959,921)</u>	<u>\$ 169,158</u>

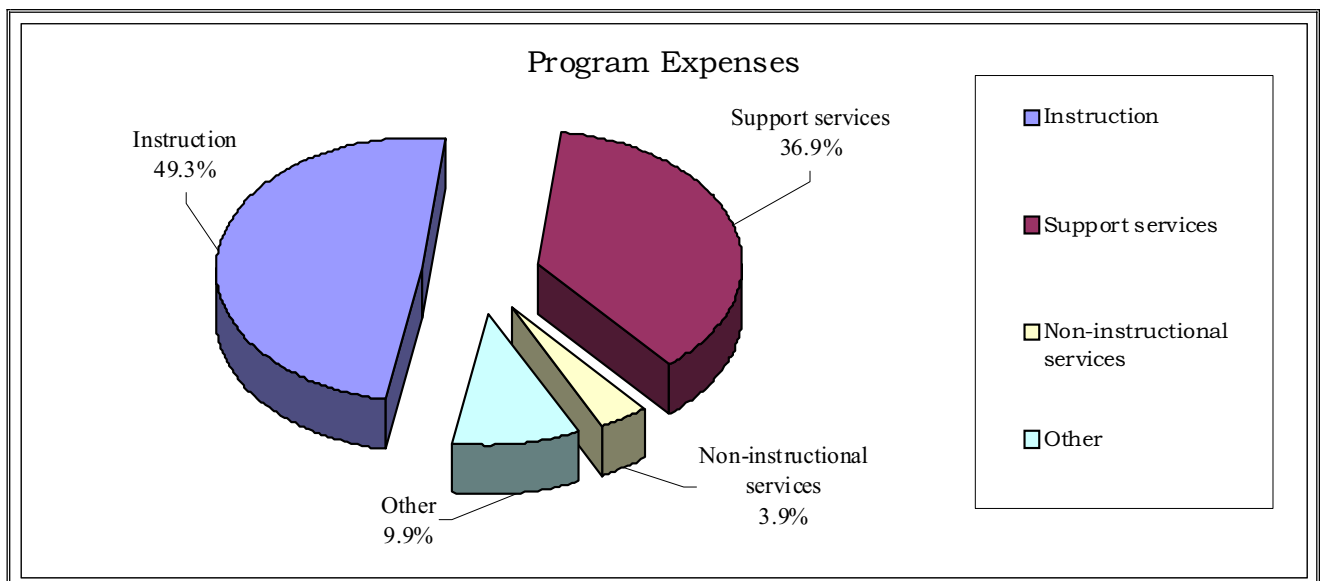
Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 57.0 percent of revenues for governmental activities for the School District in fiscal year 2008. 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 49.3 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 36.9 percent. The remaining 13.8 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, 2008

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 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2008</u>	Net Cost of Services <u>2007</u>
<u>Program Expenses:</u>				
Instruction:				
Regular	\$ 11,630,853	\$ 11,694,726	\$ (11,319,759)	\$ (11,398,220)
Special	2,532,361	2,391,597	(2,242,587)	(2,106,123)
Vocational	295,393	278,131	(282,682)	(266,756)
Adult/continuing	-	521	-	(521)
Other	307,011	332,028	(307,011)	(332,028)
Support services:				
Pupils	1,381,581	1,262,276	(1,254,102)	(1,112,296)
Instructional staff	1,583,859	1,657,555	(1,309,565)	(1,393,663)
Board of education	33,005	27,888	(33,005)	(27,888)
Administration	2,123,603	2,021,332	(1,975,435)	(1,905,181)
Fiscal	810,182	749,712	(810,182)	(749,712)
Business	44,154	78,529	(44,154)	(78,529)
Operation and maintenance of plant	3,191,462	3,203,861	(3,191,462)	(3,180,861)
Pupil transportation	1,688,917	1,527,721	(1,675,904)	(1,507,117)
Central	181,280	197,879	(136,398)	(172,325)
Food service operations	1,013,841	986,923	36,875	4,740
Community services	156,968	146,024	4,188	(6,052)
Extracurricular activities	1,353,162	1,277,106	(1,089,074)	(1,049,336)
Interest and fiscal charges	1,611,869	1,636,900	(1,611,869)	(1,636,900)
Total	<u>\$ 29,939,501</u>	<u>\$ 29,470,709</u>	<u>\$ (27,242,126)</u>	<u>\$ (26,918,768)</u>

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 \$28,727,712 and total expenditures and other financing uses were \$29,494,991. The total net change in fund balance across all governmental funds was a decrease of \$767,279 although there was a decrease in fund balance the School District continues to be financially stable. The net decrease in fund balance for the year was most significant in the general fund, amounting to \$1,592,502, or 15.3 percent. This change in the general fund is due largely to decreased revenues and a lesser increase in expenditures. Taxes decreased by \$1,681,798 intergovernmental revenue decreased by \$23,437 and interest revenue decreased \$184,919 as compared to the previous year. Net change in the debt service fund is \$136,330, which is anticipated based on projections of the revenue generated from the tax levy as compared to the debt service requirements for 2008.

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 2008, 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 \$24,507,507, which was higher than the original budget estimate of \$23,522,121. Most of this \$985,386 difference was due to conservative original budget estimates for property taxes and intergovernmental revenues. The actual revenues received were only \$12,167 higher than anticipated.

The original expenditures and other financing uses estimate of \$24,094,473 was revised slightly over the fiscal year. The final budgeted expenditures and other financing uses was \$25,153,091, which is an increase of \$1,058,618 or 4.4 percent from the original budget. Actual expenditures, including encumbrances and other financing uses were under budget by \$522,058. The largest part of this positive variance is due to expenditures budgeted for operation and maintenance of plant and were not needed for 2008 operations.

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2008
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$44,148,719 invested in capital assets. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,299,013	\$ 1,299,013
Land improvements	789,838	854,614
Buildings and building improvements	39,689,954	40,928,914
Furniture, fixtures and equipment	1,580,994	1,691,529
Vehicles	734,187	881,482
Construction in progress	54,733	-
Total capital assets	<u>\$ 44,148,719</u>	<u>\$ 45,655,552</u>

The most significant change in capital assets reported by the School District during the current year was for the purchase of fourteen new copiers. Although the School District did report a decrease in capital assets of \$122,045, the total carrying value of capital assets decreased by \$1,506,833, primarily due to the recognition of \$1,834,381 in depreciation expense. See Note 9 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2008, the School District had \$36,485,940 in bonds (including unamortized bond premium and bond accretion) outstanding with \$1,510,000 due within one year. Table 5 summarizes the bonds outstanding:

Table 5
 Outstanding Debt, at Fiscal Year End
 Governmental Activities

	<u>2008</u>	<u>2007</u>
School improvement bonds	\$ 36,485,940	\$ 37,790,736

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. Later in fiscal year 2006, the School District issued \$29,480,000 in general obligation bonds to advance refund \$29,480,000 of outstanding general obligation bonds.

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

At June 30, 2008, the School District's overall legal debt margin was \$30,373,785 with an unvoted debt margin of \$692,749. 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 14, to the basic financial statements for details on the School District's debt.

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.

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, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 15,024,101
Cash and cash equivalents:	
In segregated accounts	450,803
With fiscal agents	412
Receivables:	
Taxes	20,087,138
Accounts	20,467
Intergovernmental	975,660
Accrued interest	62,349
Prepaid items	40,904
Inventory held for resale	24,501
Materials and supplies inventory	2,909
Deferred charges	269,906
Capital assets:	
Land and construction in progress	1,353,746
Depreciable capital assets, net	42,794,973
Total assets	<u>81,107,869</u>
<u>Liabilities:</u>	
Accounts payable	106,581
Accrued wages	2,505,066
Matured compensated absences payable	12,409
Intergovernmental payable	749,747
Accrued interest payable	123,987
Matured interest payable	412
Deferred revenue	19,114,588
Long-term liabilities:	
Due within one year	1,772,322
Due in more than one year	36,201,208
Total liabilities	<u>60,586,320</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	8,177,748
Restricted for:	
Capital projects	1,141,918
Debt service	2,501,332
Other purposes	468,741
Unrestricted	8,231,810
Total net assets	<u>\$ 20,521,549</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	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
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 11,630,853	\$ 239,115	\$ 71,979	\$ -	\$ (11,319,759)
Special	2,532,361	165,710	124,064	-	(2,242,587)
Vocational	295,393	-	12,711	-	(282,682)
Other	307,011	-	-	-	(307,011)
Support services:					
Pupils	1,381,581	-	127,479	-	(1,254,102)
Instructional staff	1,583,859	-	274,294	-	(1,309,565)
Board of education	33,005	-	-	-	(33,005)
Administration	2,123,603	-	148,168	-	(1,975,435)
Fiscal	810,182	-	-	-	(810,182)
Business	44,154	-	-	-	(44,154)
Operation and maintenance of plant	3,191,462	-	-	-	(3,191,462)
Pupil transportation	1,688,917	-	-	13,013	(1,675,904)
Central	181,280	-	44,882	-	(136,398)
Operation of non-instructional services:					
Food service operations	1,013,841	901,162	149,554	-	36,875
Community services	156,968	161,156	-	-	4,188
Extracurricular activities	1,353,162	247,871	16,217	-	(1,089,074)
Interest and fiscal charges	1,611,869	-	-	-	(1,611,869)
Total governmental activities	\$ 29,939,501	\$ 1,715,014	\$ 969,348	\$ 13,013	(27,242,126)
<u>General Revenues:</u>					
Property taxes levied for:					
General purposes					13,853,173
Debt service					2,673,131
Shared revenue restricted for:					
Permanent improvement projects					1,083,075
Grants and entitlements not restricted to specific programs					7,639,433
Investment earnings					710,732
Miscellaneous					313,020
Capital contributions					9,641
Total general revenues					26,282,205
Change in net assets					(959,921)
Net assets beginning of year					21,481,470
Net assets end of year					\$ 20,521,549

See accompanying notes to the basic financial statements.

Highland Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 11,264,719	\$ 2,458,996	\$ 1,014,453	\$ 14,738,168
Cash and cash equivalents:				
With fiscal agents	-	412	-	412
Receivables:				
Taxes	16,804,434	3,282,704	-	20,087,138
Accounts	20,142	-	325	20,467
Intergovernmental	-	-	975,660	975,660
Interfund	168,884	-	-	168,884
Accrued interest	58,890	-	-	58,890
Inventory held for resale	-	-	24,501	24,501
Materials and supplies inventory	-	-	2,909	2,909
Prepaid items	40,904	-	-	40,904
Total assets	<u>\$ 28,357,973</u>	<u>\$ 5,742,112</u>	<u>\$ 2,017,848</u>	<u>\$ 36,117,933</u>
<u>Liabilities:</u>				
Accounts payable	\$ 95,030	\$ -	\$ 11,551	\$ 106,581
Accrued wages	2,369,527	-	135,539	2,505,066
Interfund payable	-	-	168,884	168,884
Intergovernmental payable	694,872	-	54,875	749,747
Matured compensated absences payable	12,409	-	-	12,409
Matured interest payable	-	412	-	412
Deferred revenue	16,389,710	3,195,316	593,078	20,178,104
Total liabilities	<u>19,561,548</u>	<u>3,195,728</u>	<u>963,927</u>	<u>23,721,203</u>
<u>Fund balances:</u>				
Reserved for:				
Encumbrances	213,153	-	366,093	579,246
Endowments	-	-	8,000	8,000
Unreserved, undesignated, reported in:				
General fund	8,583,272	-	-	8,583,272
Special revenue funds	-	-	434,316	434,316
Debt service fund	-	2,546,384	-	2,546,384
Capital projects funds	-	-	245,512	245,512
Total fund balances	<u>8,796,425</u>	<u>2,546,384</u>	<u>1,053,921</u>	<u>12,396,730</u>
Total liabilities and fund balances	<u>\$ 28,357,973</u>	<u>\$ 5,742,112</u>	<u>\$ 2,017,848</u>	<u>\$ 36,117,933</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, 2008

Total governmental fund balances		\$ 12,396,730
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.		44,148,719
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 470,438	
Intergovernmental receivables	593,078	
Deferred charges	<u>269,906</u>	
		1,333,422
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.		740,195
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(123,987)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (33,115,000)	
Capital appreciation bonds	(1,405,000)	
Accretion on bonds	(411,744)	
Premium on bonds	(1,554,196)	
Compensated absences	(1,320,909)	
Capital leases	<u>(166,681)</u>	
Total		<u>(37,973,530)</u>
Net assets of governmental activities		<u><u>\$ 20,521,549</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, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 13,991,361	\$ 2,690,171	\$ -	\$ 16,681,532
Intergovernmental	7,279,092	386,064	1,426,016	9,091,172
Interest	690,698	336	5,429	696,463
Tuition and fees	286,813	-	265,997	552,810
Extracurricular activities	37,231	-	218,530	255,761
Gifts and donations	37,383	-	15,244	52,627
Charges for services	-	-	906,356	906,356
Rent	30,415	-	1,704	32,119
Miscellaneous	242,980	-	574	243,554
Total revenues	<u>22,595,973</u>	<u>3,076,571</u>	<u>2,839,850</u>	<u>28,512,394</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,733,885	-	168,858	10,902,743
Special	2,380,151	-	117,790	2,497,941
Vocational	282,569	-	-	282,569
Other	305,858	-	-	305,858
Support services:				
Pupils	1,176,681	-	123,758	1,300,439
Instructional staff	1,108,383	-	258,915	1,367,298
Board of education	33,005	-	-	33,005
Administration	1,891,280	6,227	139,861	2,037,368
Fiscal	756,419	44,314	-	800,733
Business	44,154	-	-	44,154
Operation and maintenance of plant	2,819,749	-	11,048	2,830,797
Pupil transportation	1,520,270	-	617	1,520,887
Central	158,903	-	14,599	173,502
Operation of non-instructional services:				
Food service operations	-	-	923,041	923,041
Community services	-	-	156,897	156,897
Extracurricular activities	775,219	-	232,564	1,007,783
Capital outlay	308,958	-	21,759	330,717
Debt service:				
Principal retirement	61,075	1,375,000	-	1,436,075
Interest and fiscal charges	9,734	1,514,700	-	1,524,434
Total expenditures	<u>24,366,293</u>	<u>2,940,241</u>	<u>2,169,707</u>	<u>29,476,241</u>
Excess of revenues over (under) expenditures	<u>(1,770,320)</u>	<u>136,330</u>	<u>670,143</u>	<u>(963,847)</u>
Other financing sources (uses):				
Inception of capital lease	196,568	-	-	196,568
Transfers in	-	-	18,750	18,750
Transfers out	(18,750)	-	-	(18,750)
Total other financing sources (uses)	<u>177,818</u>	<u>-</u>	<u>18,750</u>	<u>196,568</u>
Net change in fund balances	(1,592,502)	136,330	688,893	(767,279)
Fund balances beginning of year	10,388,927	2,410,054	365,028	13,164,009
Fund balances end of year	<u>\$ 8,796,425</u>	<u>\$ 2,546,384</u>	<u>\$ 1,053,921</u>	<u>\$ 12,396,730</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, 2008**

Net change in fund balances - total governmental funds \$ (767,279)

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	\$ 340,358	
Depreciation expense	<u>(1,834,381)</u>	
Excess of depreciation expense over capital asset additions		(1,494,023)

The proceeds from the sale of capital assets are reported as a source of financing in the governmental
funds. However, the cost of the capital assets sold is removed from the capital assets
account in the statement of net assets and offset against the sales proceeds resulting in a
loss on the disposal of capital assets in the statement of activities. Thus, more revenue
is reported in the governmental funds and more expenses in the statement of activities.

(12,810)

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	(155,231)	
Intergovernmental	<u>593,078</u>	
Net change in deferred revenues during the year		437,847

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.

1,436,075

Some capital additions were financed through capital leases. In governmental funds, a capital
lease arrangement is considered a source of financing, but in the statements of net assets,
the lease obligation is reported as a liability.

capital lease transactions:

Inception of a capital lease		(196,568)
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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:

Increase in compensated absences	\$ (273,080)	
Decrease in accrued interest	<u>4,476</u>	
Total additional expenditures		(268,604)

The amortization of issuance costs, bond premium and accretion is reflected as an expense
in the statement of activities.

Issuance cost	\$ (21,707)	
Premium	124,994	
Bond accretion	<u>(195,198)</u>	
Total additional expenses		(91,911)

The internal service fund was used by management to charge the excess costs related the closing of their self-insurance
plan and to abide to the hold harmless agreement in place to accommodate the change in insurance benefits.

The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>(2,648)</u>
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Change in net assets of governmental activities \$ (959,921)

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 14,783,109	\$ 15,356,372	\$ 15,356,363	\$ (9)
Intergovernmental	7,559,173	7,638,439	7,638,523	84
Interest	725,000	782,086	793,234	11,148
Tuition and fees	202,877	279,214	279,219	5
Extracurricular activities	25,620	20,020	20,870	850
Gifts and donations	43,972	37,231	37,231	-
Rent	34,750	37,450	37,383	(67)
Miscellaneous	32,136	98,962	99,112	150
Total revenues	<u>23,406,637</u>	<u>24,249,774</u>	<u>24,261,935</u>	<u>12,161</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,956,828	10,987,688	10,943,779	43,909
Special	2,320,160	2,403,317	2,394,612	8,705
Vocational	275,729	277,729	276,593	1,136
Adult/continuing	222	222	-	222
Other	347,426	346,781	301,034	45,747
Support services:				
Pupils	1,135,696	1,177,978	1,158,057	19,921
Instructional staff	1,172,701	1,147,318	1,125,579	21,739
Board of education	29,292	38,578	36,507	2,071
Administration	1,914,619	1,935,277	1,889,914	45,363
Fiscal	738,971	781,377	756,317	25,060
Business	66,947	82,488	61,310	21,178
Operation and maintenance of plant	3,008,197	3,091,138	2,877,838	213,300
Pupil transportation	1,086,012	1,597,267	1,563,745	33,522
Central	162,981	163,246	157,494	5,752
Extracurricular activities	852,595	844,886	819,164	25,722
Capital outlay	25,621	90,121	81,456	8,665
Total expenditures	<u>24,093,997</u>	<u>24,965,411</u>	<u>24,443,399</u>	<u>522,012</u>
Excess of revenues over (under) expenditures	<u>(687,360)</u>	<u>(715,637)</u>	<u>(181,464)</u>	<u>534,173</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	4,740	4,740	-
Refund of prior year expenditures	5,000	142,509	142,515	6
Advances in	110,484	110,484	110,484	-
Advances out	-	(168,884)	(168,884)	-
Transfers out	(476)	(18,796)	(18,750)	46
Total other financing sources (uses)	<u>115,008</u>	<u>70,053</u>	<u>70,105</u>	<u>52</u>
Net change in fund balance	(572,352)	(645,584)	(111,359)	534,225
Fund balance at beginning of year	10,921,536	10,921,536	10,921,536	-
Prior year encumbrances appropriated	166,030	166,030	166,030	-
Fund balance at end of year	<u>\$ 10,515,214</u>	<u>\$ 10,441,982</u>	<u>\$ 10,976,207</u>	<u>\$ 534,225</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2008

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 285,933
Cash and cash equivalents:	
In segregated accounts	450,803
Interest receivable	3,459
Total assets	<u>\$ 740,195</u>
<u>Liabilities:</u>	
Total liabilities	<u>-</u>
<u>Net assets:</u>	
Unrestricted	740,195
Total liabilities and net assets	<u>\$ 740,195</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, 2008

	Self Insurance
<u>Operating revenues:</u>	
Other revenues	\$ 134
<u>Operating expenses:</u>	
Claims	22,480
Operating loss	(22,346)
<u>Non-operating revenues:</u>	
Interest	19,698
Change in net assets	(2,648)
Net assets beginning of year	742,843
Net assets end of year	\$ 740,195

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, 2008

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 134
Cash payments for claims	<u>(27,148)</u>
Net cash used for operating activities	<u>(27,014)</u>
 <u>Cash flows from investing activities:</u>	
Interest on investments	<u>17,503</u>
Net cash provided by investing financing	<u>17,503</u>
 Net decrease in cash and cash equivalents	 (9,511)
 Cash and cash equivalents at beginning of year	 <u>746,247</u>
Cash and cash equivalents at end of year	<u>\$ 736,736</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (22,346)</u>
 Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase (decrease) in liabilities:	
Claims payable	<u>(4,668)</u>
Net cash used for operating activities	<u>\$ (27,014)</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Endowment	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 69,434	\$ 93,346
<u>Liabilities:</u>		
Due to students	\$ -	\$ 93,346
Total liabilities	-	\$ 93,346
<u>Net assets:</u>		
Held in trust for scholarships	69,434	
Total net assets	\$ 69,434	

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, 2008

	Private Purpose Trust
	<u>Endowment</u>
<u>Additions:</u>	
Interest	\$ 4,705
	<hr/>
<u>Deductions:</u>	
Payments in accordance with trust agreements	2,350
	<hr/>
Change in net assets	2,355
Net assets beginning of year	67,079
	<hr/>
Net assets end of year	\$ 69,434
	<hr/> <hr/>

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, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF REPORTING ENTITY

A. Description of the School District

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 166 non-certificated employees and 205 certificated teaching and support personnel, including 10 administrators that provide services to 3,269 students and other community members.

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 polices.

B. 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, 2008.

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 16.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

C. 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.

D. 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, 2008

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 amounts paid as part of a hold harmless agreement due to the School District ceasing to be self insured.

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.

E. 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, 2008

The private purpose trust fund is reported using the economic resources measurement focus.

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, shared revenue, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Shared revenue and 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 for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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, 2008

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.

F. 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 2008. 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, 2008

G. 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, certificates of deposit and an interest in STAROhio, the State Treasurer's Investment Pool. All investments of the School District had a daily maturity. 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 4.

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 a segregated account for the self insurance internal service fund, which is 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Interfund balances, not services provided and used, are eliminated in the statement of net assets.

J. 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, 2008

K. 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 fiscal year. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. 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>
Land improvements	5 - 20 years
Buildings and building improvements	20 - 50 years
Furniture, fixtures and equipment	3 - 20 years
Vehicles	10 - 20 years

M. 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, 2008

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 "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

N. 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.

O. 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.

P. 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.

Q. 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.

R. 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, 2008

NOTE 2 – NEW ACCOUNTING AND REPORTING STANDARDS

In September 2006, the GASB issued Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period

In May 2007, the GASB issued Statement No. 50, Pension Disclosures. The School District has determined that the adoption of this statement did not have an impact on the School District’s financial statements; however, note disclosures related to pension benefits has been modified.

NOTE 3 - 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).
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.

	<u>General</u>
GAAP basis	\$ (1,592,502)
Revenue accruals	1,727,133
Expenditure accruals	41,999
Encumbrances (Budget basis) outstanding at year end	<u>(287,989)</u>
Budget basis	<u>\$ (111,359)</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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;
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 (STAROhio);
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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 \$15,364,100. The School District's bank balance of \$15,712,517 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department in the School District's name	\$ 15,412,105
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C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 250,000	93%	Daily	AAA ⁽¹⁾
STAROhio	17,936	7%	N/A	AAAm ⁽²⁾
	<u>\$ 267,936</u>			

⁽¹⁾ Standard and Poor's rating of underlying investment

⁽²⁾ Standard and Poor's rating

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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, 2008.

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 School District's \$250,000 investment in a repurchase agreement is to be secured by the specific securities upon which the repurchase agreements are based. The security, held by the counterparty and not in the School District's name, is a Federal Home Loan Mortgage Corporation (FHLM) bond. The securities for these type of repurchase agreements must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related agreement. 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 the FHLM bond an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service rating. The custodial risk associated with the repurchase agreements is discussed above.

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 2008 amounted to \$690,698, which includes \$146,768 assigned from other School District funds.

NOTE 5 - 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. In prior years, tangible personal property was assessed at 25% of true value for capital assets and 23% of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25%. This will be reduced to 0% for 2009.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 counties 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 tax receivable represents 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 \$414,724 in the general fund and \$87,388 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.

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>2007 Assessed Value</u>	<u>2006 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 625,654,910	\$ 549,534,630
Commercial, industrial and minerals	52,708,070	47,981,500
Public utilities	14,640	13,790
<u>Tangible Personal Property</u>		
General	5,679,255	8,320,613
Public utilities	8,692,020	11,998,520
Total	<u>\$ 692,748,895</u>	<u>\$ 617,849,053</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 – SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percent tax to be used for capital improvements at all school districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The County then allocates this tax to the School Districts within the County based on the number of student enrollment.

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. Nonmajor governmental funds reported intergovernmental receivables in the amount of \$975,660. Of this amount \$819,976 consisted of shared sales tax revenue.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2008 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 168,884

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, 2008, all interfund loans outstanding are anticipated to be repaid in fiscal year 2009.

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, 2008, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 18,750

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
<u>Governmental Activities</u>				
Nondepreciable capital assets				
Land	\$ 1,299,013	\$ -	\$ -	\$ 1,299,013
Construction in progress	-	54,733	-	54,733
Total nondepreciable capital assets	<u>1,299,013</u>	<u>54,733</u>	<u>-</u>	<u>1,353,746</u>
Depreciable capital assets				
Land improvements, depreciated	1,606,507	-	-	1,606,507
Buildings and building improvements	51,799,429	23,505	-	51,822,934
Furniture, fixtures, and equipment	3,579,544	252,479	(11,071)	3,820,952
Vehicles	2,570,391	9,641	(110,974)	2,469,058
Total depreciable capital assets	<u>59,555,871</u>	<u>285,625</u>	<u>(122,045)</u>	<u>59,719,451</u>
Less accumulated depreciation:				
Land improvements	(751,893)	(64,776)	-	(816,669)
Buildings and building improvements	(10,870,515)	(1,262,465)	-	(12,132,980)
Furniture, fixtures, and equipment	(1,888,015)	(361,301)	9,358	(2,239,958)
Vehicles	(1,688,909)	(145,839)	99,877	(1,734,871)
Total accumulated depreciation	<u>(15,199,332)</u>	<u>(1,834,381)</u>	<u>109,235</u>	<u>(16,924,478)</u>
Depreciable capital assets, net				
Governmental activities	<u>44,356,539</u>	<u>(1,548,756)</u>	<u>(12,810)</u>	<u>42,794,973</u>
Capital assets, net	<u>\$ 45,655,552</u>	<u>\$ (1,494,023)</u>	<u>\$ (12,810)</u>	<u>\$ 44,148,719</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 548,794
Special	23,024
Vocational	9,978
Support services:	
Pupils	63,903
Instructional staff	206,234
Administration	50,945
Fiscal	9,043
Operation and maintenance of plant	334,025
Pupil transportation	147,488
Central	7,486
Food service operations	89,535
Extracurricular activities	343,926
Total depreciation expense	<u>\$ 1,834,381</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 District has ceased being self-insured to the extent of amounts paid as part of a hold harmless agreement. The governmental funds were not charged for services related to the internal service fund but paid premiums to the insurer instead. The claims paid were from excess equity and a nominal amount of revenue.

The School District has contracted with Stark County Schools Insurance Consortium (SCSIC) to provide medical/surgical, dental, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SCSIC is a shared risk pool comprised of fourteen school districts that provide public education within Stark County. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$250,000 per participant and an aggregate stop-loss provision of \$107,330,408.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Premium contributions are determined annually based on the claims experience of the individual district. Premiums can be increased or decreased by up to 20% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating school districts' claims would be paid without regard to their individual account balances. The SCSIC Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenditures.

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.

NOTE 11- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$405,196, \$417,161 and \$444,886 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,605,017, \$1,424,169, and \$1,413,977 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$22,318 made by the School District and \$36,366 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, four members of the Board of Education have elected Social Security and one member chose the School Employees Retirement System. The Board's liability is 6.2% of wages paid.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$52,210.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$237,114, \$154,521, and \$215,081 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$29,195, \$26,561, and \$27,753 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2008

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$123,463, \$109,551, and \$108,767 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - COMPLIANCE

Appropriations exceeding estimated resources: Section 5705.39, Revised Code, prohibits appropriations from exceeding estimated resources. The food service special revenue fund was found to have appropriation exceeding estimated resources by \$18,527. Although, this fund had \$255,177 in available appropriations they were in excess of certified estimated resources. The School District will closely monitor appropriations and estimated resources to avoid future overages.

NOTE 14 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due within one year
<u>Governmental activities</u>					
<u>General obligation bonds</u>					
School Improvement Bonds					
Maturing December 1, 2017	\$ 6,950,000	\$ -	\$ (1,115,000)	\$ 5,835,000	\$ 1,240,000
School Improvement Bonds maturing December 1, 2024					
Serial and term bonds	27,540,000	-	(260,000)	27,280,000	270,000
Capital appreciation bonds	1,405,000	-	-	1,405,000	-
Premium on bonds	1,679,190	-	(124,994)	1,554,196	-
Accretion on bonds	216,546	195,198	-	411,744	-
Total general obligation bonds	<u>37,790,736</u>	<u>195,198</u>	<u>(1,499,994)</u>	<u>36,485,940</u>	<u>1,510,000</u>
<u>Other Obligations</u>					
Compensated absences	1,047,829	356,987	(83,907)	1,320,909	222,760
Capital leases	31,188	196,568	(61,075)	166,681	39,562
Total other obligations	<u>1,079,017</u>	<u>553,555</u>	<u>(144,982)</u>	<u>1,487,590</u>	<u>262,322</u>
Governmental activities long-term liabilities	<u>\$ 38,869,753</u>	<u>\$ 748,753</u>	<u>\$ (1,644,976)</u>	<u>\$ 37,973,530</u>	<u>\$ 1,772,322</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, 2008

On February 27, 2006, the School District issued \$29,480,000 in General Obligation Bonds with an average interest rate of 4.25% to advance refund \$29,480,000 of outstanding School Improvement Bonds with an average interest rate of 4.68%. The bond proceeds consisted of bond principal and \$1,933,776 of premium. The net proceeds of \$29,144,176 (after payment of \$335,824 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. These bonds include serial and capital appreciation bonds. Current year additions amounted to \$195,198 which represents the accretion of discounted interest. As a result of this issue, a portion of the School Improvement Facilities Bonds are considered to be defeased and the liability has been removed.

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, 2008 are as follows:

Fiscal <u>Year</u>	School Improvement Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,510,000	\$ 1,458,325	\$ 2,968,325
2010	1,655,000	1,389,525	3,044,525
2011	1,820,000	1,306,925	3,126,925
2012	1,990,000	1,215,725	3,205,725
2013	1,150,000	1,139,100	2,289,100
2014-2018	4,070,000	8,492,650	12,562,650
2019-2023	10,405,000	3,902,122	14,307,122
2024-2027	<u>11,920,000</u>	<u>1,099,672</u>	<u>13,019,672</u>
Total	<u>\$ 34,520,000</u>	<u>\$ 20,004,044</u>	<u>\$ 54,524,044</u>

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the year, the School District entered into a new capitalized lease agreement 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 \$430,447 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$61,075.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2009	\$ 47,164
2010	44,676
2011	44,676
2012	44,676
2013	<u>3,723</u>
Total minimum lease payments	184,915
Less: amount representing interest	<u>(18,234)</u>
Total	<u>\$ 166,681</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

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 2008, the School District contributed \$60,196 to LEECA.

NOTE 17 - CONTINGENCIES

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, 2008.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 - 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, 2008, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Total</u>
Set-aside cash balance as of June 30, 2007	\$ (70,009)	\$ -	\$ (70,009)
Current year set-aside requirement	483,226	483,226	966,452
Qualifying disbursements	<u>(459,056)</u>	<u>(513,517)</u>	<u>(972,573)</u>
Total	<u>\$ (45,839)</u>	<u>\$ (30,291)</u>	<u>\$ (76,130)</u>
Balance carried forward to future years	<u>\$ (45,839)</u>		<u>\$ (45,839)</u>

**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 expenditures 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.

Miscellaneous State Grants

To account for various monies received through state agencies which are not classified elsewhere.

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 III Limited English Proficiency

To account for monies to develop and carry out elementary and secondary school programs, including activities at the pre-school level, to meet the educational needs of children of limited English proficiency.

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.

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 are:

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.

Sales Tax

To account for shared sales tax monies to be used for permanent improvement projects.

SchoolNet

To account for State monies to be used to provide wiring to all classrooms that supports the transmission of voice, video and data, and to provide a computer workstation and related technology for every classroom.

Highland Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 692,511	\$ 321,942	\$ 1,014,453
Receivables:			
Accounts	325	-	325
Intergovernmental	155,684	819,976	975,660
Inventory held for resale	24,501	-	24,501
Materials and supplies inventory	2,909	-	2,909
Total assets	<u>\$ 875,930</u>	<u>\$ 1,141,918</u>	<u>\$ 2,017,848</u>
<u>Liabilities:</u>			
Accounts payable	\$ 11,551	\$ -	\$ 11,551
Accrued wages	135,539	-	135,539
Interfund payable	168,884	-	168,884
Intergovernmental payable	54,875	-	54,875
Deferred revenue	-	593,078	593,078
Total liabilities	<u>370,849</u>	<u>593,078</u>	<u>963,927</u>
<u>Fund balance:</u>			
Reserved for encumbrances	62,765	303,328	366,093
Reserved for endowments	8,000	-	8,000
Unreserved:			
Undesignated, reported in:			
Special revenue funds	434,316	-	434,316
Capital projects funds	-	245,512	245,512
Total fund balances	<u>505,081</u>	<u>548,840</u>	<u>1,053,921</u>
Total liabilities and fund balances	<u>\$ 875,930</u>	<u>\$ 1,141,918</u>	<u>\$ 2,017,848</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, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 917,405	\$ 508,611	\$ 1,426,016
Interest	5,429	-	5,429
Tuition and fees	265,997	-	265,997
Extracurricular activities	218,530	-	218,530
Gifts and donations	15,244	-	15,244
Charges for services	906,356	-	906,356
Rent	-	1,704	1,704
Miscellaneous	35	539	574
Total revenues	<u>2,328,996</u>	<u>510,854</u>	<u>2,839,850</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	168,858	-	168,858
Special	117,790	-	117,790
Support services:			
Pupils	123,758	-	123,758
Instructional staff	258,915	-	258,915
Administration	139,861	-	139,861
Operation and maintenance of plant	-	11,048	11,048
Pupil transportation	617	-	617
Central	14,599	-	14,599
Operation of non-instructional services:			
Food service operations	923,041	-	923,041
Community services	156,897	-	156,897
Extracurricular activities	232,564	-	232,564
Capital outlay	11,490	10,269	21,759
Total expenditures	<u>2,148,390</u>	<u>21,317</u>	<u>2,169,707</u>
Excess of revenues over expenditures	<u>180,606</u>	<u>489,537</u>	<u>670,143</u>
<u>Other financing sources:</u>			
Transfers in	14,118	4,632	18,750
Net change in fund balances	194,724	494,169	688,893
Fund balances at beginning of year	310,357	54,671	365,028
Fund balances at end of year	<u>\$ 505,081</u>	<u>\$ 548,840</u>	<u>\$ 1,053,921</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Food Service	Special Trust	Uniform School Supplies	Public School Support
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 287,892	\$ 28,172	\$ 39,331	\$ 62,116
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Inventory held for resale	24,501	-	-	-
Materials and supplies inventory	2,909	-	-	-
Total assets	<u>\$ 315,302</u>	<u>\$ 28,172</u>	<u>\$ 39,331</u>	<u>\$ 62,116</u>
<u>Liabilities:</u>				
Accounts payable	\$ 1,481	\$ -	\$ -	\$ -
Accrued wages	54,415	-	-	-
Interfund payable	-	-	-	-
Intergovernmental payable	24,083	-	-	-
Total liabilities	<u>79,979</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund balances:</u>				
Reserved for encumbrances	49,743	400	-	1,472
Reserved for endowments	-	8,000	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	185,580	19,772	39,331	60,644
Total fund balances	<u>235,323</u>	<u>28,172</u>	<u>39,331</u>	<u>62,116</u>
Total liabilities and fund balances	<u>\$ 315,302</u>	<u>\$ 28,172</u>	<u>\$ 39,331</u>	<u>\$ 62,116</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>
\$ 4,862	\$ 68,132	\$ 11,000	\$ 13,842	\$ 9,174	\$ -	\$ 379
-	-	-	325	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,862</u>	<u>\$ 68,132</u>	<u>\$ 11,000</u>	<u>\$ 14,167</u>	<u>\$ 9,174</u>	<u>\$ -</u>	<u>\$ 379</u>
\$ -	\$ -	\$ -	\$ 183	\$ 8,994	\$ -	\$ 379
3,045	11,076	-	-	-	-	-
-	-	-	13,200	-	-	-
44	6,914	-	-	-	-	-
<u>3,089</u>	<u>17,990</u>	<u>-</u>	<u>13,383</u>	<u>8,994</u>	<u>-</u>	<u>379</u>
-	-	-	8,226	180	-	-
-	-	-	-	-	-	-
<u>1,773</u>	<u>50,142</u>	<u>11,000</u>	<u>(7,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,773</u>	<u>50,142</u>	<u>11,000</u>	<u>784</u>	<u>180</u>	<u>-</u>	<u>-</u>
<u>\$ 4,862</u>	<u>\$ 68,132</u>	<u>\$ 11,000</u>	<u>\$ 14,167</u>	<u>\$ 9,174</u>	<u>\$ -</u>	<u>\$ 379</u>

(Continued)

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	School Net Professional Development	Miscellaneous State Grants	IDEA, Part B	Title III Limited English Proficiency
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ 166,669	\$ 7
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	153,000	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,669</u>	<u>\$ 7</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	67,003	-
Interfund payable	-	-	153,000	-
Intergovernmental payable	-	-	23,834	-
Total liabilities	<u>-</u>	<u>-</u>	<u>243,837</u>	<u>-</u>
<u>Fund balances:</u>				
Reserved for encumbrances	-	-	2,323	-
Reserved for endowments	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	73,509	7
Total fund balances	<u>-</u>	<u>-</u>	<u>75,832</u>	<u>7</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,669</u>	<u>\$ 7</u>

<u>Title V</u>	<u>Drug-Free Schools</u>	<u>EHA Preschool Grant for Handicapped</u>	<u>Improving Teacher Quality</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 935	\$ -	\$ -	\$ -	\$ 692,511
-	-	-	-	325
1,109	-	1,575	-	155,684
-	-	-	-	24,501
-	-	-	-	2,909
<u>\$ 2,044</u>	<u>\$ -</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ 875,930</u>
\$ 514	\$ -	\$ -	\$ -	\$ 11,551
-	-	-	-	135,539
1,109	-	1,575	-	168,884
-	-	-	-	54,875
<u>1,623</u>	<u>-</u>	<u>1,575</u>	<u>-</u>	<u>370,849</u>
421	-	-	-	62,765
-	-	-	-	8,000
-	-	-	-	434,316
421	-	-	-	505,081
<u>\$ 2,044</u>	<u>\$ -</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ 875,930</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, 2008

	Food Service	Special Trust	Uniform School Supplies	Public School Support
<u>Revenues:</u>				
Intergovernmental	\$ 145,523	\$ -	\$ -	\$ -
Interest	4,031	1,398	-	-
Tuition and fees	-	-	118,011	29,894
Extracurricular activities	-	-	-	53,455
Gifts and donations	-	-	-	-
Charges for services	901,162	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,050,716</u>	<u>1,398</u>	<u>118,011</u>	<u>83,349</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	-	96,783	-
Special	-	-	-	-
Support services:				
Pupils	-	-	-	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	923,041	-	-	-
Community services	-	-	-	-
Extracurricular activities	-	-	-	82,271
Capital outlay	-	-	-	-
Total expenditures	<u>923,041</u>	<u>-</u>	<u>96,783</u>	<u>82,271</u>
Excess of revenues over (under) expenditures	<u>127,675</u>	<u>1,398</u>	<u>21,228</u>	<u>1,078</u>
<u>Other financing sources (uses):</u>				
Transfers in	<u>4,706</u>	<u>-</u>	<u>-</u>	<u>4,706</u>
Net change in fund balances	132,381	1,398	21,228	5,784
Fund balances at beginning of year	<u>102,942</u>	<u>26,774</u>	<u>18,103</u>	<u>56,332</u>
Fund balances at end of year	<u>\$ 235,323</u>	<u>\$ 28,172</u>	<u>\$ 39,331</u>	<u>\$ 62,116</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>
\$ 59,337	\$ -	\$ -	\$ -	\$ 11,268	\$ 3,980	\$ 15,000
-	-	-	-	-	-	-
-	118,092	-	-	-	-	-
-	37,815	-	127,260	-	-	-
425	-	-	14,819	-	-	-
5,194	-	-	-	-	-	-
-	-	-	35	-	-	-
<u>64,956</u>	<u>155,907</u>	<u>-</u>	<u>142,114</u>	<u>11,268</u>	<u>3,980</u>	<u>15,000</u>
-	-	-	-	-	4,000	-
-	-	-	-	-	-	-
59,320	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,089	-	3,510
-	-	-	-	-	-	-
5,008	151,889	-	-	-	-	-
-	-	-	150,293	-	-	-
-	-	-	-	-	-	11,490
<u>64,328</u>	<u>151,889</u>	<u>-</u>	<u>150,293</u>	<u>11,089</u>	<u>4,000</u>	<u>15,000</u>
<u>628</u>	<u>4,018</u>	<u>-</u>	<u>(8,179)</u>	<u>179</u>	<u>(20)</u>	<u>-</u>
-	-	-	4,706	-	-	-
628	4,018	-	(3,473)	179	(20)	-
1,145	46,124	11,000	4,257	1	20	-
<u>\$ 1,773</u>	<u>\$ 50,142</u>	<u>\$ 11,000</u>	<u>\$ 784</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ -</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, 2008

	School Net Professional Development	Miscellaneous State Grants	IDEA, Part B	Title III Limited English Proficiency
<u>Revenues:</u>				
Intergovernmental	\$ 2,970	\$ 8,293	\$ 593,849	\$ 816
Interest	-	-	-	-
Tuition and fees	-	-	-	-
Extracurricular activities	-	-	-	-
Gifts and donations	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>2,970</u>	<u>8,293</u>	<u>593,849</u>	<u>816</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,970	-	-	809
Special	-	-	105,633	-
Support services:				
Pupils	-	8,293	56,145	-
Instructional staff	-	-	258,915	-
Administration	-	-	139,861	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	-	-	-	-
Community services	-	-	-	-
Extracurricular activities	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,970</u>	<u>8,293</u>	<u>560,554</u>	<u>809</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>33,295</u>	<u>7</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	-	-
Net change in fund balances	-	-	33,295	7
Fund balances at beginning of year	-	-	42,537	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,832</u>	<u>\$ 7</u>

<u>Title V</u>	<u>Drug-Free Schools</u>	<u>EHA Preschool Grant for Handicapped</u>	<u>Improving Teacher Quality</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 6,784	\$ 5,651	\$ 12,157	\$ 51,777	\$ 917,405
-	-	-	-	5,429
-	-	-	-	265,997
-	-	-	-	218,530
-	-	-	-	15,244
-	-	-	-	906,356
-	-	-	-	35
<u>6,784</u>	<u>5,651</u>	<u>12,157</u>	<u>51,777</u>	<u>2,328,996</u>
6,653	5,034	-	52,609	168,858
-	-	12,157	-	117,790
-	-	-	-	123,758
-	-	-	-	258,915
-	-	-	-	139,861
-	617	-	-	617
-	-	-	-	14,599
-	-	-	-	923,041
-	-	-	-	156,897
-	-	-	-	232,564
-	-	-	-	11,490
<u>6,653</u>	<u>5,651</u>	<u>12,157</u>	<u>52,609</u>	<u>2,148,390</u>
<u>131</u>	<u>-</u>	<u>-</u>	<u>(832)</u>	<u>180,606</u>
-	-	-	-	14,118
131	-	-	(832)	194,724
290	-	-	832	310,357
<u>\$ 421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,081</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2008

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Sales Tax</u>	<u>School Net</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 7,276	\$ 32,953	\$ 263,099	\$ 18,614	\$ 321,942
Receivables:					
Intergovernmental	-	-	819,976	-	819,976
Total assets	<u>\$ 7,276</u>	<u>\$ 32,953</u>	<u>\$ 1,083,075</u>	<u>\$ 18,614</u>	<u>\$ 1,141,918</u>
<u>Liabilities:</u>					
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,078</u>	<u>\$ -</u>	<u>\$ 593,078</u>
<u>Fund balance:</u>					
Reserved for encumbrances	7,276	32,953	263,099	-	303,328
Unreserved:					
Undesignated, reported in:					
Capital projects funds	-	-	226,898	18,614	245,512
Total fund balance	<u>7,276</u>	<u>32,953</u>	<u>489,997</u>	<u>18,614</u>	<u>548,840</u>
Total liabilities and fund balance	<u>\$ 7,276</u>	<u>\$ 32,953</u>	<u>\$ 1,083,075</u>	<u>\$ 18,614</u>	<u>\$ 1,141,918</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, 2008

	Permanent Improvement	Building	Sales Tax	School Net	Total Nonmajor Capital Projects Funds
<u>Revenues:</u>					
Intergovernmental	\$ -	\$ -	\$ 489,997	\$ 18,614	\$ 508,611
Rent	1,704	-	-	-	1,704
Miscellaneous	539	-	-	-	539
Total revenues	<u>2,243</u>	<u>-</u>	<u>489,997</u>	<u>18,614</u>	<u>510,854</u>
<u>Expenditures:</u>					
Current:					
Support services:					
Operation and maintenance of plant	-	11,048	-	-	11,048
Capital outlay	-	10,269	-	-	10,269
Total expenditures	<u>-</u>	<u>21,317</u>	<u>-</u>	<u>-</u>	<u>21,317</u>
Excess of revenues over (under) expenditures	<u>2,243</u>	<u>(21,317)</u>	<u>489,997</u>	<u>18,614</u>	<u>489,537</u>
<u>Other financing sources (uses):</u>					
Transfers in	<u>-</u>	<u>4,632</u>	<u>-</u>	<u>-</u>	<u>4,632</u>
Net change in fund balances	2,243	(16,685)	489,997	18,614	494,169
Fund balances at beginning of year	5,033	49,638	-	-	54,671
Fund balances at end of year	<u>\$ 7,276</u>	<u>\$ 32,953</u>	<u>\$ 489,997</u>	<u>\$ 18,614</u>	<u>\$ 548,840</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, 2008

Debt Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 2,945,231	\$ 2,945,231	\$ -
Intergovernmental	386,065	386,064	(1)
Interest	336	336	-
Total revenues	<u>3,331,632</u>	<u>3,331,631</u>	<u>(1)</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Administration	6,258	6,227	31
Fiscal	44,939	44,315	624
Debt service:			
Principal retirement	1,375,000	1,375,000	-
Interest and fiscal charges	1,514,700	1,514,700	-
Total expenditures	<u>2,940,897</u>	<u>2,940,242</u>	<u>655</u>
Net change in fund balance	390,735	391,389	654
Fund balance at beginning of year	2,067,607	2,067,607	-
Fund balance at end of year	<u>\$ 2,458,342</u>	<u>\$ 2,458,996</u>	<u>\$ 654</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, 2008

Food Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 105,410	\$ 105,410	\$ -
Interest	4,013	4,031	18
Charges for services	901,162	901,162	-
Total revenues	<u>1,010,585</u>	<u>1,010,603</u>	<u>18</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services:			
Food service operations	1,191,478	936,301	255,177
Excess of revenues over (under) expenditures	<u>(180,893)</u>	<u>74,302</u>	<u>255,195</u>
<u>Other financing sources:</u>			
Transfers in	4,706	4,706	-
Net change in fund balance	(176,187)	79,008	255,195
Fund balance at beginning of year	157,635	157,635	-
Prior year encumbrances appropriated	25	25	-
Fund balance at end of year	<u>\$ (18,527)</u>	<u>\$ 236,668</u>	<u>\$ 255,195</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, 2008

Special Trust Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 1,358	\$ 1,398	\$ 40
<u>Expenditures:</u>			
Current:			
Extracurricular activities	13,244	400	12,844
Net change in fund balance	(11,886)	998	12,884
Fund balance at beginning of year	26,774	26,774	-
Fund balance at end of year	<u>\$ 14,888</u>	<u>\$ 27,772</u>	<u>\$ 12,884</u>

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 118,011	\$ 118,011	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	133,103	96,782	36,321
Net change in fund balance	(15,092)	21,229	36,321
Fund balance at beginning of year	18,102	18,102	-
Fund balance at end of year	<u>\$ 3,010</u>	<u>\$ 39,331</u>	<u>\$ 36,321</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, 2008

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 29,894	\$ 29,894	\$ -
Extracurricular activities	54,149	53,455	(694)
Total revenues	<u>84,043</u>	<u>83,349</u>	<u>(694)</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	143,118	89,417	53,701
Excess of revenues over (under) expenditures	<u>(59,075)</u>	<u>(6,068)</u>	<u>53,007</u>
<u>Other financing sources:</u>			
Transfers in	4,706	4,706	-
Total other financing sources	<u>4,706</u>	<u>4,706</u>	<u>-</u>
Net change in fund balance	(54,369)	(1,362)	53,007
Fund balance at beginning of year	54,369	54,369	-
Prior year encumbrances appropriated	7,635	7,635	-
Fund balance at end of year	<u>\$ 7,635</u>	<u>\$ 60,642</u>	<u>\$ 53,007</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, 2008

Miscellaneous Local Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 59,337	\$ 59,337	\$ -
Miscellaneous	425	425	-
Classroom materials and supplies	5,250	5,250	-
Total revenues	<u>65,012</u>	<u>65,012</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	1,000	-	1,000
Support services:			
Pupils	63,504	60,459	3,045
Operation of non-instructional services:			
Community services	5,825	5,008	817
Total expenditures	<u>70,329</u>	<u>65,467</u>	<u>4,862</u>
Excess of revenues over (under) expenditures	<u>(5,317)</u>	<u>(455)</u>	<u>4,862</u>
<u>Other financing uses:</u>			
Refund of prior year expenditures	<u>(56)</u>	<u>(56)</u>	<u>-</u>
Net change in fund balance	(5,373)	(511)	4,862
Fund balance at beginning of year	5,373	5,373	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,862</u>	<u>\$ 4,862</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, 2008

Latchkey Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 118,092	\$ 118,092	\$ -
Extracurricular activities	37,815	37,815	-
Total revenues	<u>155,907</u>	<u>155,907</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services:			
Community services	217,537	149,406	68,131
Net change in fund balance	(61,630)	6,501	68,131
Fund balance at beginning of year	61,631	61,631	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 68,132</u>	<u>\$ 68,131</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, 2008

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 127,260	\$ 127,260	\$ -
Gifts and donations	14,819	14,819	-
Miscellaneous	35	35	-
Total revenues	<u>142,114</u>	<u>142,114</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	162,364	158,844	3,520
Excess of revenues over (under) expenditures	<u>(20,250)</u>	<u>(16,730)</u>	<u>3,520</u>
<u>Other financing sources (uses):</u>			
Advances in	13,200	13,200	-
Transfers in	4,956	4,706	(250)
Transfers out	(250)	-	250
Total other financing sources (uses)	<u>17,906</u>	<u>17,906</u>	<u>-</u>
Net change in fund balance	(2,344)	1,176	3,520
Fund balance at beginning of year	2,344	2,344	-
Prior year encumbrances appropriated	1,913	1,913	-
Fund balance at end of year	<u>\$ 1,913</u>	<u>\$ 5,433</u>	<u>\$ 3,520</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, 2008

Management Information Systems Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 11,268	\$ 11,268	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	11,532	11,532	-
Net change in fund balance	(264)	(264)	-
Fund balance at beginning of year	1	1	-
Prior year encumbrances appropriated	263	263	-
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	\$ 6,100	\$ 6,100	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,000	4,000	-
Excess of revenues over expenditures	2,100	2,100	-
<u>Other financing uses:</u>			
Advances out	(2,100)	(2,100)	-
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, 2008

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	15,000	15,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

SchoolNet Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,970	\$ 2,970	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,970	2,970	-
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, 2008

Miscellaneous State Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,293	\$ 8,293	\$ -
<u>Expenditures:</u>			
Support services:			
Pupils	8,293	8,293	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

IDEA, Part B Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 544,830	\$ 544,830	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	133,811	96,862	36,949
Support services:			
Pupils	93,718	58,738	34,980
Instructional staff	321,017	255,733	65,284
Administration	166,103	138,970	27,133
Total expenditures	<u>714,649</u>	<u>550,303</u>	<u>164,346</u>
Excess of revenues over (under) expenditures	<u>(169,819)</u>	<u>(5,473)</u>	<u>164,346</u>
<u>Other financing sources (uses):</u>			
Advances in	153,000	153,000	-
Advances out	(103,981)	(103,981)	-
Total other financing sources (uses)	<u>49,019</u>	<u>49,019</u>	<u>-</u>
Net change in fund balance	(120,800)	43,546	164,346
Fund balance at beginning of year	118,390	118,390	-
Prior year encumbrances appropriated	2,410	2,410	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 164,346</u>	<u>\$ 164,346</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, 2008

Title III Limited English Proficiency Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 816	\$ 816	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	816	809	7
Net change in fund balance	-	7	7
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 5,675	\$ 5,675	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,074	7,074	-
Excess of revenues under expenditures	(1,399)	(1,399)	-
<u>Other financing sources:</u>			
Advances in	1,109	1,109	-
Net change in fund balance	(290)	(290)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	290	290	-
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, 2008

Drug-Free Schools Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 8,758	\$ 8,757	\$ (1)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,613	5,034	(421)
Support services:			
Pupil transportation	1,039	617	422
Total expenditures	5,652	5,651	1
Excess of revenues over expenditures	3,106	3,106	-
<u>Other financing uses:</u>			
Advances out	(3,106)	(3,106)	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

EHA Preschool Grant for Handicapped Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 11,784	\$ 11,784	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	12,157	12,157	-
Excess of revenues under expenditures	(373)	(373)	-
<u>Other financing sources (uses):</u>			
Advances in	1,575	1,575	-
Advances out	(1,202)	(1,202)	-
Total other financing sources (uses)	373	373	-
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, 2008

Improving Teacher Quality Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 51,872	\$ 51,872	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	52,609	52,609	-
Excess of revenues under expenditures	(737)	(737)	-
<u>Other financing uses:</u>			
Advances out	(95)	(95)	-
Net change in fund balance	(832)	(832)	-
Fund balance at beginning of year	832	832	-
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, 2008

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Rent	\$ 1,860	\$ 1,860	\$ -
Miscellaneous	539	539	-
Total revenues	<u>2,399</u>	<u>2,399</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Business	<u>7,276</u>	<u>7,276</u>	<u>-</u>
Net change in fund balance	(4,877)	(4,877)	-
Fund balance at beginning of year	4,877	4,877	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Building Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Capital outlay	<u>54,271</u>	<u>54,271</u>	<u>-</u>
Excess of revenues under expenditures	<u>(54,271)</u>	<u>(54,271)</u>	<u>-</u>
<u>Other financing sources:</u>			
Transfers in	<u>4,632</u>	<u>4,632</u>	<u>-</u>
Net change in fund balance	(49,639)	(49,639)	-
Fund balance at beginning of year	29,951	29,951	-
Prior year encumbrances appropriated	<u>19,688</u>	<u>19,688</u>	<u>-</u>
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, 2008

Sales Tax Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 263,099	\$ 263,099	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Pupil transportation	263,099	263,099	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

SchoolNet Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 18,614	\$ 18,614	\$ -
<u>Expenditures:</u>			
Support services:			
Central	18,614	-	18,614
Net change in fund balance	-	18,614	18,614
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 18,614	\$ 18,614

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, 2008

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 17,503	\$ 17,503	\$ -
Other revenues	21	21	-
Refund of prior year expense	113	113	-
Total revenues	<u>17,637</u>	<u>17,637</u>	<u>-</u>
<u>Expenses:</u>			
Claims	<u>413,504</u>	<u>27,148</u>	<u>386,356</u>
Net change in fund equity	(395,867)	(9,511)	386,356
Fund equity at beginning of year	413,505	413,505	-
Prior year encumbrances appropriated	332,742	332,742	-
Fund equity at end of year	<u>\$ 350,380</u>	<u>\$ 736,736</u>	<u>\$ 386,356</u>

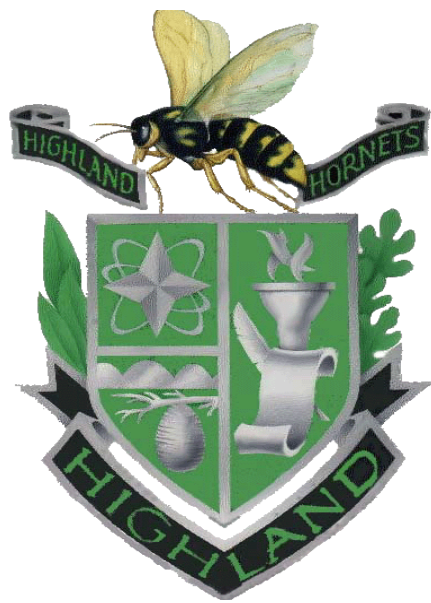
Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2008

Endowment Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 4,607	\$ 4,705	\$ 98
<u>Expenses:</u>			
Payments in accordance with trust agreement	3,600	2,350	1,250
Net change in fund equity	1,007	2,355	1,348
Fund equity at beginning of year	67,080	67,080	-
Fund equity at end of year	<u>\$ 68,087</u>	<u>\$ 69,435</u>	<u>\$ 1,348</u>

Highland Local School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2008

	Beginning Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2008</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 81,576	\$ 236,615	\$ 224,845	\$ 93,346
<u>Liabilities:</u>				
Accounts payable	\$ 1,300	\$ -	\$ 1,300	\$ -
Due to students	80,276	236,615	223,545	93,346
Total liabilities	\$ 81,576	\$ 236,615	\$ 224,845	\$ 93,346



STATISTICAL SECTION



Statistical Section

This part of the School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial position has changed over time.	S2 - S8
Revenue Capacity These schedules contain information to help the reader understand and assess the factors affecting the School District's ability to generate its most significant local revenue source, the property tax.	S9 - S15
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	S16 - S20
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	S21 - S22
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	S23 - S30

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that fiscal year.

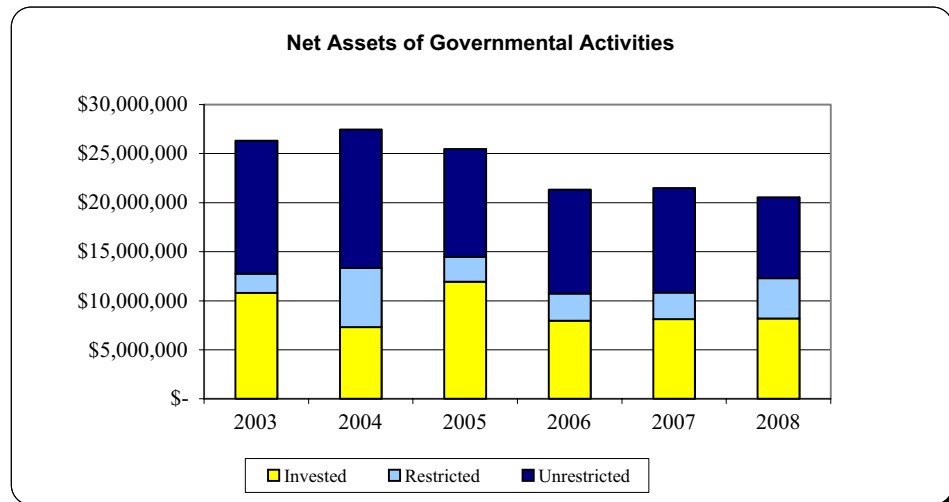
Highland Local School District

Net Assets by Component (1)

Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Invested in capital assets, net of related debt	\$ 10,813,432	\$ 7,301,012	\$ 11,952,666	\$ 7,964,723	\$ 8,125,241	\$ 8,177,748
Restricted for:						
Capital projects	902,184	4,825,593	936,856	106,684	54,671	1,141,918
Debt service	842,811	1,021,635	1,435,244	2,347,308	2,377,566	2,501,332
Permanent fund - scholarships						
Expendable	36,009	-	-	-	-	-
Nonexpendable	48,969	-	-	-	-	-
Other purposes	119,509	182,054	150,646	322,883	279,073	468,741
Unrestricted (deficit)	<u>13,555,796</u>	<u>14,098,516</u>	<u>10,981,777</u>	<u>10,570,714</u>	<u>10,644,919</u>	<u>8,231,810</u>
Total net assets	<u><u>\$ 26,318,710</u></u>	<u><u>\$ 27,428,810</u></u>	<u><u>\$ 25,457,189</u></u>	<u><u>\$ 21,312,312</u></u>	<u><u>\$ 21,481,470</u></u>	<u><u>\$ 20,521,549</u></u>

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



Highland Local School District
Changes in Net Assets of Governmental Activities (1)
Last Six Fiscal Years

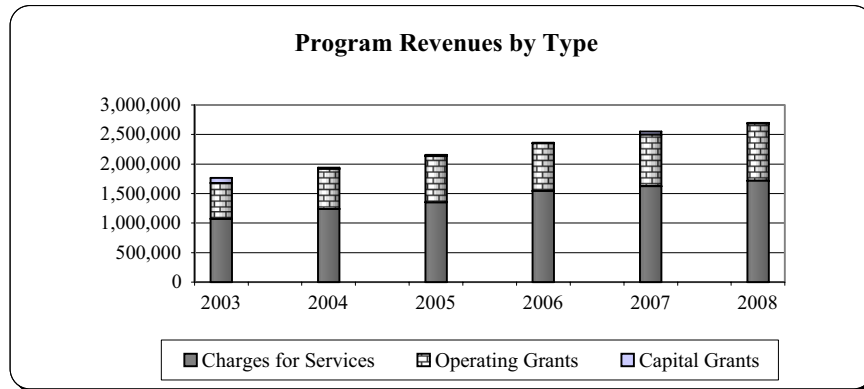
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
Regular instruction	\$ 8,301,672	\$ 9,372,735	\$ 10,782,456	\$ 10,721,321	\$ 11,694,726	\$ 11,630,853
Special instruction	2,019,730	2,189,792	2,292,960	2,225,319	2,391,597	2,532,361
Vocational instruction	221,771	237,639	260,976	267,436	278,131	295,393
Adult/continuing	-	-	-	986	521	-
Other	69,763	31,364	65,695	403,904	332,028	307,011
Pupil support	935,963	996,550	1,056,613	1,192,215	1,262,276	1,381,581
Instructional staff support	1,339,268	1,402,428	1,605,142	1,549,011	1,657,555	1,583,859
Board of education	18,217	19,977	21,534	25,436	27,888	33,005
Administration	1,536,965	1,746,937	2,279,411	2,067,429	2,021,332	2,123,603
Fiscal	652,819	734,167	804,491	706,597	749,712	810,182
Business	53,637	50,876	41,990	36,062	78,529	44,154
Operation and maintenance of plant	1,825,099	2,316,223	3,493,085	3,768,269	3,203,861	3,191,462
Pupil transportation	1,466,258	1,367,189	1,483,026	1,542,484	1,527,721	1,688,917
Central	191,871	131,127	153,377	153,649	197,879	181,280
Community services	95,703	93,682	127,010	135,893	146,024	156,968
Food service operations	693,490	741,795	861,737	894,970	986,923	1,013,841
Extracurricular activities	830,425	852,001	1,076,287	1,242,002	1,277,106	1,353,162
Interest and fiscal charges	1,966,421	1,957,796	1,932,645	2,972,182	1,636,900	1,611,869
Total expenses	\$ 22,219,072	\$ 24,242,278	\$ 28,338,435	\$ 29,905,165	\$ 29,470,709	\$ 29,939,501
Program Revenues						
Charges for services:						
Regular instruction	\$ 125,212	\$ 159,988	\$ 181,859	\$ 221,451	\$ 225,761	\$ 239,115
Special instruction	52,626	113,603	90,767	178,437	168,579	165,710
Pupil support	-	-	-	-	150	-
Community services	92,062	95,823	117,373	135,201	139,972	161,156
Food service operations	600,071	653,412	715,616	795,779	866,953	901,162
Extracurricular activities	203,507	218,588	248,435	209,855	223,847	247,871
Operating grants and contributions:						
Regular instruction	81,697	78,459	77,133	76,138	70,745	71,979
Special instruction	88,947	126,430	146,590	100,587	116,895	124,064
Vocational instruction	-	-	-	-	-	12,711
Pupil support	70,312	67,017	102,850	122,762	149,830	127,479
Instructional staff support	123,637	171,985	215,483	234,980	263,892	274,294
Administration	116,835	120,059	131,533	158,417	116,151	148,168
Fiscal	-	16,096	-	-	-	-
Central	59,571	21,914	46,042	25,146	-	44,882
Pupil transportation	-	-	-	-	898	-
Central	-	-	-	-	25,554	-
Community services	-	12,000	-	-	-	-
Food service operations	57,668	62,480	53,241	82,847	124,710	149,554
Extracurricular activities	4,985	1,313	8,062	8,155	3,923	16,217
Capital grants and contributions:						
Vocational instruction	-	-	-	-	11,375	-
Operation and maintenance of plant						
Pupil transportation	89,869	18,493	19,715	11,102	19,706	13,013
Total program revenues	\$ 1,766,999	\$ 1,937,660	\$ 2,154,699	\$ 2,360,857	\$ 2,551,941	\$ 2,697,375
Net expense	\$ (20,452,073)	\$ (22,304,618)	\$ (26,183,736)	\$ (27,544,308)	\$ (26,918,768)	\$ (27,242,126)

(Continued)

Highland Local School District
Changes in Net Assets of Governmental Activities (1)
Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General revenues						
Property taxes levied for:						
General purposes	\$ 12,988,609	\$ 13,436,487	\$ 14,206,577	\$ 15,546,822	\$ 15,555,154	\$ 13,853,173
Debt service	2,451,517	2,547,077	2,821,355	2,921,464	2,829,115	2,673,131
Shared revenue restricted for:						
Permanent improvement projects	-	-	-	-	-	1,083,075
Grants and entitlements not						
restricted to specific programs	6,724,999	6,615,473	6,674,999	6,991,349	7,611,072	7,639,433
Investment earnings	796,721	392,812	396,578	703,123	892,439	710,732
Miscellaneous	342,303	166,532	112,606	332,223	200,146	313,020
Capital contributions	-	-	-	-	-	9,641
Total general revenues	\$ 23,304,149	\$ 23,158,381	\$ 24,212,115	\$ 26,494,981	\$ 27,087,926	\$ 26,282,205
Change in net assets	\$ 2,852,076	\$ 853,763	\$ (1,971,621)	\$ (1,049,327)	\$ 169,158	\$ (959,921)

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



Highland Local School District

Program Revenues of Governmental Activities by Function (1)

Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Governmental activities:</i>						
<i>Function</i>						
Regular instruction	\$ 206,909	\$ 238,447	\$ 258,992	\$ 297,589	\$ 296,506	\$ 311,094
Special instruction	141,573	240,033	237,357	279,024	285,474	289,774
Vocational	-	-	-	-	11,375	12,711
Pupil support	70,312	67,017	102,850	122,762	149,980	127,479
Instructional staff support	123,637	171,985	215,483	234,980	263,892	274,294
Administration	116,835	120,059	131,533	158,417	116,151	148,168
Fiscal	-	16,096	-	-	-	-
Operation and maintenance of plant	-	-	-	-	23,000	-
Pupil transportation	89,869	18,493	19,715	11,102	20,604	13,013
Central	59,571	21,914	46,042	25,146	25,554	44,882
Community services	92,062	107,823	117,373	135,201	139,972	161,156
Operation of food service	657,739	715,892	768,857	878,626	991,663	1,050,716
Extracurricular activities	208,492	219,901	256,497	218,010	227,770	264,088
<i>Total program revenues</i>	<u>\$ 1,766,999</u>	<u>\$ 1,937,660</u>	<u>\$ 2,154,699</u>	<u>\$ 2,360,857</u>	<u>\$ 2,551,941</u>	<u>\$ 2,697,375</u>

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

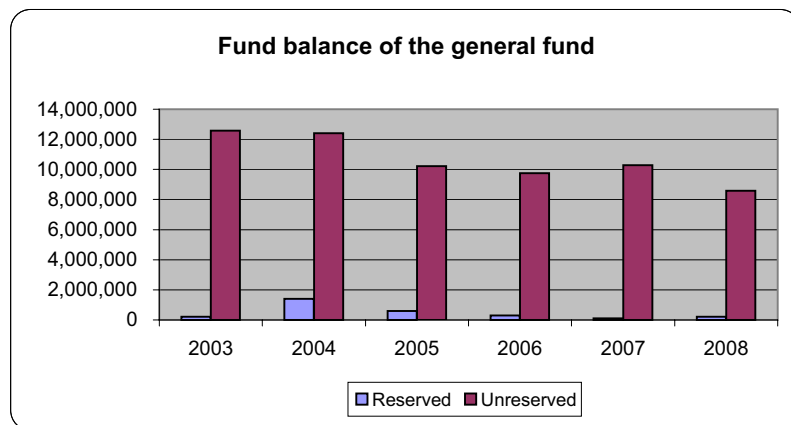
Highland Local School District

Fund Balances, Governmental Funds (1)

Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund						
Reserved	\$ 216,728	\$ 1,399,594	\$ 601,718	\$ 287,675	\$ 116,287	\$ 213,153
Unreserved	<u>12,576,405</u>	<u>12,398,551</u>	<u>10,214,184</u>	<u>9,744,608</u>	<u>10,272,640</u>	<u>8,583,272</u>
<i>Total general fund</i>	<u>12,793,133</u>	<u>13,798,145</u>	<u>10,815,902</u>	<u>10,032,283</u>	<u>10,388,927</u>	<u>8,796,425</u>
All other governmental funds						
Reserved	18,044,278	4,706,876	986,902	127,283	36,621	374,093
Unreserved, undesignated, Reported in:						
Special revenue funds	188,398	210,152	128,677	246,377	293,424	434,316
Debt service funds	914,696	1,083,866	1,494,645	2,370,836	2,410,054	2,546,384
Capital projects funds	4,700,851	159,114	(23,406)	19,408	34,983	245,512
Permanent funds	<u>36,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total all other governmental funds</i>	<u>23,884,232</u>	<u>6,160,008</u>	<u>2,586,818</u>	<u>2,763,904</u>	<u>2,775,082</u>	<u>3,600,305</u>
<i>Total governmental funds</i>	<u>\$ 36,677,365</u>	<u>\$ 19,958,153</u>	<u>\$ 13,402,720</u>	<u>\$ 12,796,187</u>	<u>\$ 13,164,009</u>	<u>\$ 12,396,730</u>

(1) Modified accrual basis of accounting. Will be reported for the last ten years when there are enough years of information available.



Highland Local School District

Changes in Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 10,043,853	\$ 11,223,255	\$ 12,354,172	\$ 14,538,929	\$ 15,463,889	\$ 15,935,352	\$ 17,036,615	\$ 18,346,454	\$ 18,515,726	\$ 16,681,532
Intergovernmental	4,752,187	4,666,518	5,454,444	6,817,025	7,323,901	7,262,704	7,428,957	7,790,850	8,557,524	9,091,172
Interest	358,319	492,076	597,311	1,747,965	800,782	393,402	398,030	696,365	882,484	696,463
Tuition and fees	158,087	75,626	42,011	184,042	276,194	377,354	399,927	537,938	539,674	552,810
Extracurricular activities	122,745	128,882	133,692	215,505	197,212	210,318	237,995	206,545	218,351	255,761
Gifts and donations	18,307	-	26,312	25,217	34,694	9,975	66,080	36,089	26,461	52,627
Charges for services	-	-	-	-	600,072	653,513	715,617	795,779	867,103	906,356
Rentals	880	-	-	-	1,981	1,995	3,831	5,748	26,510	32,119
Miscellaneous	119,266	172,855	63,981	35,291	381,192	155,841	50,706	297,765	149,295	243,554
Total revenues	15,573,644	16,759,212	18,671,923	23,563,974	25,079,917	25,000,454	26,337,758	28,713,533	29,783,128	28,512,394
Expenditures										
Current:										
Instruction:										
Regular	6,526,825	6,631,821	6,900,655	7,446,830	7,833,998	8,577,629	10,080,539	10,329,294	11,047,306	10,902,743
Special	1,561,221	1,583,534	1,662,633	2,011,976	2,051,324	2,152,969	2,248,712	2,227,555	2,357,378	2,497,941
Vocational	171,863	182,228	187,423	200,031	211,230	228,428	250,990	261,950	263,085	282,569
Adult/Continuing	-	-	-	-	-	-	-	986	521	-
Other	41,533	27,121	36,769	37,726	69,763	31,364	65,695	394,844	330,157	305,858
Support services:										
Pupil	636,563	632,375	682,467	791,643	900,198	957,325	1,039,059	1,107,738	1,227,954	1,300,439
Instructional staff	675,836	838,410	904,511	1,066,087	1,256,031	1,329,558	1,517,063	1,315,844	1,397,604	1,367,298
Board of education	12,271	13,288	17,434	21,438	18,217	19,977	21,534	25,436	27,888	33,005
Administration	1,290,845	1,251,719	1,358,748	1,386,350	1,512,600	1,711,485	2,209,790	2,056,772	1,922,082	2,037,368
Fiscal	405,446	490,630	510,379	576,577	639,893	708,440	789,342	710,315	734,019	800,733
Business	60,813	43,599	59,474	43,337	52,562	49,801	41,217	36,062	78,529	44,154
Operation and maintenance of plant	1,275,532	2,019,991	1,388,114	1,444,642	1,736,157	2,144,278	3,100,399	3,440,335	2,806,910	2,830,797
Pupil transportation	805,837	1,002,971	1,012,720	1,151,899	1,308,460	1,165,311	1,321,704	1,395,312	1,369,076	1,520,887
Central	84,531	134,642	143,765	162,936	189,741	127,471	149,469	151,015	193,570	173,502
Operation of non-instructional services	-	122	-	-	91,238	97,207	124,162	138,676	145,140	156,897
Food service operations	-	-	-	-	639,626	701,968	787,355	827,147	899,504	923,041
Extracurricular activities	473,288	526,941	539,987	712,490	788,751	807,874	869,346	914,522	946,786	1,007,783
Capital outlay	158,147	149,955	371,270	2,967,386	17,504,007	18,299,864	5,324,396	1,591,189	532,441	330,717
Debt service:										
Principal retirement	138,820	137,887	152,721	39,922,064	63,719	759,504	828,787	930,327	1,566,967	1,436,075
Interest and fiscal charges	18,861	11,008	9,402	2,116,347	1,966,521	1,959,583	1,934,825	1,464,747	1,571,389	1,524,434
Issuance costs	-	-	-	-	-	-	-	335,824	-	-
Total expenditures	14,338,232	15,678,242	15,938,472	62,059,759	38,834,036	41,830,036	32,704,384	29,655,890	29,418,306	29,476,241

(Continued)

Highland Local School District

Changes in Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years (Continued)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<i>Excess of revenues over (under) expenditures</i>	1,235,412	1,080,970	2,733,451	(38,495,785)	(13,754,119)	(16,829,582)	(6,366,626)	(942,357)	364,822	(963,847)
Other financing sources (uses)										
Sale of capital assets	4,370	195	7,142	700	-	39,573	30,700	-	3,000	-
Inception of capital lease	-	-	91,806	-	-	128,471	-	-	-	196,568
Proceeds of notes	-	-	39,900,000	-	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	29,480,000	-	-
Proceeds of bonds	-	-	-	40,617,557	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	1,933,776	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(31,077,952)	-	-
Transfers in	-	144,653	-	-	230,841	-	49,275	23,750	20,670	18,750
Transfers out	-	(144,653)	-	-	(230,841)	-	(49,275)	(23,750)	(20,670)	(18,750)
<i>Total other financing sources (uses)</i>	4,370	195	39,998,948	40,618,257	-	168,044	30,700	335,824	3,000	196,568
<i>Net change in fund balances</i>	\$ 1,239,782	\$ 1,081,165	\$ 42,732,399	\$ 2,122,472	\$ (13,754,119)	\$ (16,661,538)	\$ (6,335,926)	\$ (606,533)	\$ 367,822	\$ (767,279)

Debt service as a percentage of noncapital expenditures 1.1% 1.0% 1.0% 71.1% 9.5% 11.6% 10.1% 9.7% 10.9% 10.2%

(1) Modified accrual basis of accounting.

Note: For 1999 - 2002, Governmental Funds includes governmental fund types and expendable trust funds; for 2003 - 2008, Governmental Funds includes general, debt service, special revenue, capital projects and permanent funds.

Highland Local School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection Years

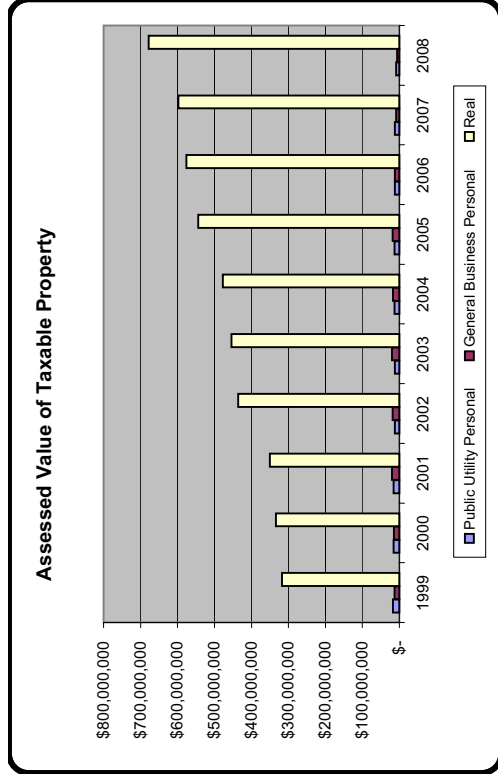
Collection Year	Real Property			Tangible Personal Property			Tangible Personal Property			Total			Weighted Average Tax Rate
	Assessed Value			Public Utility			General Business			Estimated Actual Value			
	Residential/Agricultural	Commercial/Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Estimated Actual Value	Ratio	
1999	297,900,410	19,174,480	905,928,257	17,324,080	19,686,455	12,939,310	51,757,240	347,338,280	977,371,952	35.54%	64.18		
2000	314,120,930	19,766,360	953,963,686	15,446,030	17,552,307	14,886,057	59,544,228	364,219,377	1,031,060,221	35.32%	65.38		
2001	328,484,360	21,808,690	1,000,837,286	15,936,500	18,109,659	19,629,432	78,517,728	385,858,982	1,097,464,673	35.16%	66.58		
2002	405,577,570	29,882,420	1,244,171,400	11,900,010	13,522,739	18,012,416	72,049,664	465,372,416	1,329,743,803	35.00%	71.32		
2003	423,787,780	30,447,300	1,297,814,514	12,435,380	14,131,114	20,009,825	80,039,300	486,680,285	1,391,984,928	34.96%	70.61		
2004	445,909,650	31,788,530	1,364,851,943	12,701,290	14,433,284	17,197,552	68,790,208	507,597,022	1,448,075,435	35.05%	71.46		
2005	505,890,970	38,374,600	1,555,044,486	13,079,750	14,863,352	17,980,743	71,922,972	575,326,063	1,641,830,810	35.04%	71.32		
2006	528,513,190	47,560,400	1,645,924,543	11,688,790	13,282,716	12,482,341	49,929,364	600,244,721	1,709,136,623	35.12%	70.55		
2007	549,534,630	47,995,290	1,707,228,343	11,998,520	13,634,682	8,320,613	33,282,452	617,849,053	1,754,145,477	35.22%	70.55		
2008	625,654,910	52,722,710	1,938,221,771	8,692,020	9,877,295	5,679,255	22,717,020	692,748,895	1,970,816,087	35.15%	70.55		

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property is 35% of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25% of true value for railroad property to 88% for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25% for machinery and equipment. General business inventory tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75% for 2006, 12.5% for 2007, 6.25% for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, the 2 1/2% and the homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

Source: Medina County Auditor and Summit County Fiscal Officer.



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

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
2008	Brunswick Hills	70.55	8.07	11.85	3.05	-	0.75	2.25	96.52
	Granger Twp.	70.55	8.07	5.60	3.05	-	0.75	2.25	90.27
	Hinckley Twp.	70.55	8.07	13.05	3.05	-	1.85	2.25	98.82
	Medina Twp.	70.55	8.07	6.60	3.05	-	0.75	2.25	91.27
	Montville Twp.	70.55	8.07	10.95	3.05	-	0.75	2.25	95.62
	Sharon Twp.	70.55	8.07	7.40	3.05	-	0.75	2.25	92.07
	Wadsworth City	70.55	8.07	-	3.05	5.80	0.75	2.25	90.47
2007	Brunswick Hills	70.55	8.07	11.85	3.05	-	0.75	2.25	96.52
	Granger Twp.	70.55	8.07	5.60	3.05	-	0.75	2.25	90.27
	Hinckley Twp.	70.55	8.07	13.05	3.05	-	1.85	2.25	98.82
	Medina Twp.	70.55	8.07	5.60	3.05	-	0.75	2.25	90.27
	Montville Twp.	70.55	8.07	10.95	3.05	-	0.75	2.25	95.62
	Sharon Twp.	70.55	8.07	7.40	3.05	-	0.75	2.25	92.07
	Wadsworth City	70.55	8.07	-	3.05	5.80	0.75	2.25	90.47
2006	Brunswick Hills	70.55	8.21	11.85	3.05	-	0.50	2.25	96.41
	Granger Twp.	70.55	8.21	4.60	3.05	-	0.50	2.25	89.16
	Hinckley Twp.	70.55	8.21	13.05	3.05	-	1.85	2.25	98.96
	Medina Twp.	70.55	8.21	5.60	3.05	-	0.50	2.25	90.16
	Montville Twp.	70.55	8.21	10.95	3.05	-	0.50	2.25	95.51
	Sharon Twp.	70.55	8.21	7.40	3.05	-	0.50	2.25	91.96
	Wadsworth City	70.55	8.21	-	3.05	5.80	0.50	2.25	90.36
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

(Continued)

Highland Local School District

Property Tax Rates - Direct and Overlapping Governments

Last Ten Collection Years

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
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

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
Property Tax Levies and Collections (1)
Last Ten Collection Years

Collection Year (2)	Current Tax Levy	Current Tax Collections (1)	Percent of Current Tax Collections to Current Tax Levy	Delinquent Tax Collections (3)	Total Tax Collections	Percent of Total Tax Collections to Current Tax Levy
1998	\$ 10,220,956	\$ 9,772,905	95.62%	\$ 240,411	\$ 10,013,316	97.97%
1999	12,515,672	11,954,285	95.51	325,333	12,279,618	98.11
2000	13,495,738	12,907,061	95.64	334,287	13,241,348	98.12
2001	14,733,328	14,053,399	95.39	289,297	14,342,696	97.35
2002	15,269,275	14,524,680	95.12	473,574	14,998,254	98.23
2003	18,447,500	17,412,606	94.39	739,750	18,152,356	98.40
2004	19,386,200	18,483,598	95.34	650,423	19,134,021	98.70
2005	18,470,364	16,863,692	91.30	643,627	17,507,319	94.79
2006	18,751,591	16,788,682	89.53	699,932	17,488,614	93.26
2007	17,186,195	16,464,824	95.80	627,470	17,092,294	99.45

Source: Medina County Auditor and Summit County Fiscal Officer.

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental revenue.
- (2) The 2008 information cannot be presented because all collections have not been made by June 30, 2008.
- (3) The County does not identify delinquent tax collections by tax year.

Highland Local School District

Principal Taxpayers

Real Estate Tax

2008 and 2003 (1)

Name of Taxpayer	2008		
	Assessed Value	Rank	Percent of Real Property Assessed Value
Akron-Medina Corporate Park	\$ 3,005,800	1	0.48%
Balzarini Real Estate Holdings, LLC	1,751,840	2	0.28%
Montiville Lakes Development	1,632,230	3	0.26%
BNB Partners	1,401,220	4	0.22%
Apple Group LTD	1,341,690	5	0.21%
NB Thiry-Three Inc.	1,277,830	6	0.20%
Pride One	1,268,960	7	0.20%
Northside Christian Church	1,183,410	8	0.19%
Pinnacle Sports	1,180,630	9	0.19%
Woodfield Development	1,114,750	10	0.18%
Totals	<u>\$ 15,158,360</u>		<u>2.42%</u>
Total assessed valuation	<u>\$ 625,654,910</u>		

Name of Taxpayer	2003 (2)		
	Assessed Value	Rank	Percent of Real Property Assessed Value
Kimball Hill Homes	\$ 1,605,960	1	0.38%
Structured Management	1,151,510	2	0.27%
Wakefield Run Development	1,129,060	3	0.27%
Nicholas J. Demetra K. Spiritos	1,002,790	4	0.24%
Sharon Club Company	899,980	5	0.21%
Batizy, Levente & Patricia	868,320	6	0.20%
Grandview Group	762,140	7	0.18%
Ironwood Golf Course	759,640	8	0.18%
SFS Stadler Inc.	744,800	9	0.18%
Portside Corporate	720,990	10	0.17%
Totals	<u>\$ 9,645,190</u>		<u>2.28%</u>
Total assessed valuation	<u>\$ 423,787,780</u>		

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) The amounts presented represent the assessed values upon which 2008 and 2003 collections were based.

(2) Information prior to 2003 is not available.

Highland Local School District

Principal Taxpayers

Tangible Personal Property Tax

2008 and 2003 (1)

Name of Taxpayer	2008 (2)		
	Assessed Value	Rank	Percent of Tangible Personal Property Assessed Value
Avalon RV Center Inc.	\$ 1,086,600	1	19.13%
Verizon North Inc.	950,860	2	16.74%
A Schulman Inc.	751,580	3	13.23%
PT Tech, Inc.	606,980	4	10.69%
SFS Intec Inc.	558,840	5	9.84%
Partners in Plastic	481,680	6	8.48%
Ruhlin Company	447,530	7	7.88%
RFD Beaufort Inc.	344,480	8	6.07%
Rental Service Corp.	336,380	9	5.92%
Time Warner NY Cable LLC	300,230	10	5.29%
Totals	<u>\$ 5,865,160</u>		<u>103.27%</u>
Total assessed valuation	<u>\$ 5,679,255</u>		

Name of Taxpayer	2003 (3)		
	Assessed Value	Rank	Percent of Tangible Personal Property Assessed Value
A Schulman Inc.	\$ 1,686,170	1	8.43%
SFS Stadler Inc.	1,228,690	2	6.14%
Atlantic Tool & Die Co.	1,210,150	3	6.05%
Avalon RV Center Inc.	1,165,310	4	5.82%
Partners in Plastic	1,092,900	5	5.46%
Power Transmission Technology Inc.	871,320	6	4.35%
Inflatable Survival Systems Inc.	676,650	7	3.38%
Ruhlin Company	662,930	8	3.31%
Kenmore Ashalt Products, Inc.	491,370	9	2.46%
Rental Service Corp USA Inc.	390,870	10	1.95%
Totals	<u>\$ 9,476,360</u>		<u>47.36%</u>
Total assessed valuation	<u>\$ 20,009,825</u>		

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) The amounts presented represent the assessed values upon which 2008 and 2003 collections were based.

(2) The School District's total assessed value is an estimate provided by the County Auditor that is reduced to reflect collections based upon the phase out of personal property. Reduced valuation amounts are not available by individual taxpayers.

(3) Information prior to 2003 is not available.

Highland Local School District

Principal Taxpayers

Public Utilities Tax

2008 and 2003 (1)

Name of Taxpayer	2008 (2)		
	Assessed Value	Rank	Percent of Public Utility Assessed Value
Ohio Edison Company	\$ 6,470,280	1	74.44%
Columbia Gas of Ohio	904,150	2	10.40%
American Transmission	810,350	3	9.32%
East Ohio Gas	404,960	4	4.66%
Cleveland Electric Illuminating	119,160	5	1.37%
Wheeling and Lake Erie Railroad	48,100	6	0.55%
Verizon North	45,810	7	0.53%
Western Reserve Telephone	37,060	8	0.43%
Columbia Gas Transmission	20,440	9	0.24%
David & Pamela Stec	4,820	10	0.06%
Totals	\$ 8,865,130		101.99%
Total assessed valuation	\$ 8,692,020		

Name of Taxpayer	2003 (3)		
	Assessed Value	Rank	Percent of Public Utility Assessed Value
Ohio Edison Company	\$ 5,380,300	1	43.27%
Verizon North	2,270,400	2	18.26%
American Transmission	1,012,500	3	8.14%
Columbia Gas of Ohio	677,930	4	5.45%
Western Reserve Telephone	524,760	5	4.22%
AT & T Communications	519,210	6	4.18%
East Ohio Gas	412,280	7	3.32%
New Par	404,180	8	3.25%
Sprint	260,580	9	2.10%
Alltell Ohio Limited	176,860	10	1.42%
Totals	\$ 11,639,000		93.60%
Total assessed valuation	\$ 12,435,380		

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) The amounts presented represent the assessed values upon which 2008 and 2003 collections were based.

(2) The School District's total assessed value is an estimate provided by the County Auditor that is reduced to reflect collections based upon the phase out of personal property. Reduced valuation amounts are not available by individual taxpayers.

(3) Information prior to 2003 is not available.

Highland Local School District

Ratio of Outstanding Debt By Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Population	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases				
1999	\$ 260,000	\$ -	\$ 7,887	\$ 267,887	0.08%	16,875	\$ 15.87
2000	130,000	-	-	130,000	0.04%	22,708	7.70
2001	-	39,900,000	69,085	39,969,085	11.19%	22,708	1,760.13
2002	39,900,000	-	47,021	39,947,021	11.38%	22,708	1,759.16
2003	39,860,000	-	23,302	39,883,302	11.05%	22,708	1,756.35
2004	39,145,000	-	107,269	39,252,269	7.93%	22,708	1,728.57
2005	38,340,000	-	83,482	38,423,482	6.37%	22,708	1,692.07
2006	37,435,000	-	58,155	37,493,155	5.81%	22,708	1,651.10
2007	35,895,000	-	31,188	35,926,188	5.30%	22,708	1,582.09
2008	34,520,000	-	166,681	34,686,681	n/a	22,708	1,527.51

Source: School District Financial Records.

Highland Local School District
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Resources Available to Pay Principal</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Estimated Actual Value (1)</u>
1999	\$ 260,000	\$ 260,000	\$ -	0.00%
2000	130,000	130,000	-	0.00%
2001	-	-	-	0.00%
2002	39,900,000	-	39,900,000	3.00%
2003	39,860,000	914,696	38,945,304	2.80%
2004	39,145,000	1,083,866	38,061,134	2.63%
2005	38,340,000	1,494,645	36,845,355	2.24%
2006	37,435,000	2,370,836	35,064,164	2.05%
2007	35,895,000	2,410,054	33,484,946	1.91%
2008	34,520,000	2,546,384	31,973,616	1.62%

Source: School District Financial Records.

(1) See the Schedule of Assessed and Estimated Actual Value of Taxable Property on page S-9 for property value data.

Highland Local School District

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Tax Valuation	<u>\$ 347,338,280</u>	<u>\$ 364,219,377</u>	<u>\$ 385,858,982</u>	<u>\$ 465,372,416</u>	<u>\$ 486,680,285</u>
Debt Limit - 9% of Taxable Valuation (1)	<u>31,260,445</u>	<u>32,779,744</u>	<u>34,727,308</u>	<u>41,883,517</u>	<u>43,801,226</u>
Amount of Debt Applicable to Debt Limit					
General Obligation Bonds	260,000	130,000	-	39,900,000	39,860,000
Less Amount Available in Debt Service	<u>(418,953)</u>	<u>(133,575)</u>	<u>-</u>	<u>(139,280)</u>	<u>(914,696)</u>
Amount of Debt Subject to Limit	<u>(158,953)</u>	<u>(3,575)</u>	<u>-</u>	<u>39,760,720</u>	<u>38,945,304</u>
Legal Debt Margin	<u>\$ 31,419,398</u>	<u>\$ 32,783,319</u>	<u>\$ 34,727,308</u>	<u>\$ 2,122,797</u>	<u>\$ 4,855,922</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.51%	100.01%	100.00%	5.07%	11.09%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	\$ 347,338	\$ 364,219	\$ 385,859	\$ 465,372	\$ 486,680
Amount of Debt Subject to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unvoted Legal Debt Margin	<u>\$ 347,338</u>	<u>\$ 364,219</u>	<u>\$ 385,859</u>	<u>\$ 465,372</u>	<u>\$ 486,680</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%

(Continued)

Source: School District Financial Records.

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Highland Local School District

Computation of Legal Debt Margin

Last Ten Fiscal Years (Continued)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Tax Valuation	<u>\$ 507,597,022</u>	<u>\$ 575,326,063</u>	<u>\$ 600,244,721</u>	<u>\$ 617,849,053</u>	<u>\$ 692,748,895</u>
Debt Limit - 9% of Taxable Valuation (1)	<u>45,683,732</u>	<u>51,779,346</u>	<u>54,022,025</u>	<u>55,606,415</u>	<u>62,347,401</u>
Amount of Debt Applicable to Debt Limit					
General Obligation Bonds	39,145,000	38,340,000	37,435,000	35,895,000	34,520,000
Less Amount Available in Debt Service	<u>(1,083,866)</u>	<u>(1,494,645)</u>	<u>(2,370,836)</u>	<u>(2,410,054)</u>	<u>(2,546,384)</u>
Amount of Debt Subject to Limit	<u>38,061,134</u>	<u>36,845,355</u>	<u>35,064,164</u>	<u>33,484,946</u>	<u>31,973,616</u>
Legal Debt Margin	<u>\$ 7,622,598</u>	<u>\$ 14,933,991</u>	<u>\$ 18,957,861</u>	<u>\$ 22,121,469</u>	<u>\$ 30,373,785</u>
Legal Debt Margin as a Percentage of the Debt Limit	16.69%	28.84%	35.09%	39.78%	48.72%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	\$ 507,597	\$ 575,326	\$ 600,245	\$ 617,849	\$ 692,749
Amount of Debt Subject to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unvoted Legal Debt Margin	<u>\$ 507,597</u>	<u>\$ 575,326</u>	<u>\$ 600,245</u>	<u>\$ 617,849</u>	<u>\$ 692,749</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%

Source: School District Financial Records.

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Highland Local School District
Computation of Direct and Overlapping Bonded Debt
June 30, 2008

<u>Jurisdiction</u>	<u>Net General Tax Supported Debt (1)</u>	<u>Percent Overlapping (2)</u>	<u>Amount Applicable Highland Local School District</u>
Direct:			
Highland Local School District	\$ 34,520,000	100.00%	\$ 34,520,000
Overlapping:			
Medina County	10,390,772	15.94%	1,656,289
Summit County	49,245,000	0.05%	24,623
Wadsworth City	725,000	0.64%	4,640
Copley Township	245,000	1.37%	3,357
Akron Metro Regional Transit Authority	650,000	0.05%	325
Akron-Summit County Library District	54,670,000	0.08%	43,736
Medina County Library District	35,540,000	16.96%	6,027,584
Medina County Park District	3,000,000	15.45%	463,500
	<u>154,465,772</u>		<u>8,224,053</u>
Total direct and overlapping debt:	<u>\$ 188,985,772</u>		<u>\$ 42,744,053</u>

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) All debt reported as of December 31, 2007, except for Highland Local School District which is reported as of June 30, 2008.

(2) Percentages were determined by dividing the assessed valuation of the political subdivisions located within the boundaries of the School District by the total assessed valuation of the political subdivisions.

Highland Local School District

Demographic and Economic Statistics

Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u> <u>(in thousands)</u>	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Unemployment</u> <u>Rate (3)</u>
1999	16,875	\$ 342,171,203	\$ 20,277	3.8%
2000	22,708	357,236,674	15,732	3.4%
2001	22,708	351,150,627	15,464	4.4%
2002	22,708	361,095,883	15,902	5.0%
2003	22,708	495,261,296	21,810	5.4%
2004	22,708	603,420,464	26,573	5.2%
2005	22,708	645,001,301	28,404	4.6%
2006	22,708	677,430,933	29,832	4.8%
2007	22,708	n/a	n/a	5.8%
2008	22,708	n/a	n/a	6.8%

Sources: (1) U.S. Bureau of Census, Census of Population.

(2) Ohio Department of Taxation.

(3) U.S. Department of Labor.

Highland Local School District
Principal Employers in Medina County
2007 and 1998

2007			
Employer	Number of Employees	Rank	Percentage of Total District Employment
Westfield Group	1,466	1	2.96%
Medina County	1,125	2	2.28%
Medina City School District	800	3	1.62%
Brunswick City School District	789	4	1.60%
Shilo Industries Inc.	744	5	1.50%
Medina General Hospital	740	6	1.50%
Wadsworth City School District	490	7	0.99%
Discount Drug Mart	434	8	0.88%
Cloverleaf Local School District	369	9	0.75%
Highland Local School District	306	10	0.62%
Total	<u>7,263</u>		<u>14.69%</u>
Total employment within the County	<u>49,447</u>		

1998			
Employer	Number of Employees	Rank	Percentage of Total District Employment
Westfield Group	1,418	1	3.01%
Medina County	1,400	2	2.97%
Schneider National Trucking	1,204	3	2.55%
MTD Products	1,176	4	2.49%
Brunswick City School District	850	5	1.80%
Medina General Hospital	760	6	1.61%
K-Mart	685	7	1.45%
Medina City School District	638	8	1.35%
Discount Drug	630	9	1.34%
Wadsworth City School District	445	10	0.94%
Total	<u>9,206</u>		<u>19.52%</u>
Total employment within the County	<u>47,162</u>		

Source: Medina County Economic Development Corporation.

Highland Local School District
School District Employees by Function/Program
Last Five Fiscal Years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Regular instruction					
Elementary classroom teachers	60	67	68	57	56
Middle school classroom teachers	31	36	37	28	28
High school classroom teachers	36	43	44	41	41
Special instruction					
Academically gifted teachers	2	2	2	1	2
Multi handicapped teachers	15	17	16	4	4
Developmentally handicapped teachers	6	6	7	2	2
Specific learning disabled teachers	18	20	20	5	6
Other	2	2	3	1.5	2
Vocational instruction					
High school classroom teachers	3	3	3	3	3
Pupil support services					
Guidance counselors	5	5	6	5	5
Librarians	8	8	8	3	3
Psychologists	4	5	5	3	3
Speech and language pathologists	3	3	3	3	3
Aides	11	12	14	30	30
Computer	3	3	3	3	3
Other	7	7	9	6	4
Administrators					
Elementary	4	4	4	3	3
Middle School	3	3	3	2	2
High school	3	3	3	2	2
Operation of plant					
Custodians & Maintenance	27	28	31	24	24
Pupil transportation					
Bus drivers	28	29	30	29	28
Maintenance	3	3	3	3	3
Food service program					
Director	2	2	2	1	1
Cooks	17	18	19	15	14

Source: School District records.

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee. The count is performed on September 1 of each year.

Information prior to 2004 is not available.

Highland Local School District

Operating Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Enrollment</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio</u>	<u>Percentage of students receiving free or reduced lunches</u>
1999	n/a	2,385	n/a	n/a	n/a	n/a	6.33%
2000	n/a	2,292	n/a	n/a	n/a	n/a	5.44%
2001	n/a	2,421	n/a	n/a	133.0	18.2	5.62%
2002	n/a	2,494	n/a	n/a	134.0	18.6	4.93%
2003	\$ 22,219,072	2,585	\$8,595	n/a	138.0	18.7	4.67%
2004	\$ 24,242,278	2,735	\$8,864	3.12%	135.5	20.2	5.28%
2005	\$ 28,338,435	2,914	\$9,725	9.72%	147.1	19.8	4.46%
2006	\$ 29,905,165	3,055	\$9,789	0.66%	153.5	19.9	6.95%
2007	\$ 29,470,709	3,211	\$9,178	-6.24%	155.8	20.6	5.67%
2008	\$ 29,939,501	3,269	\$9,159	-0.21%	160.1	20.4	5.87%

Source: School District Records, Ohio Department of Education.

Highland Local School District

Building Statistics

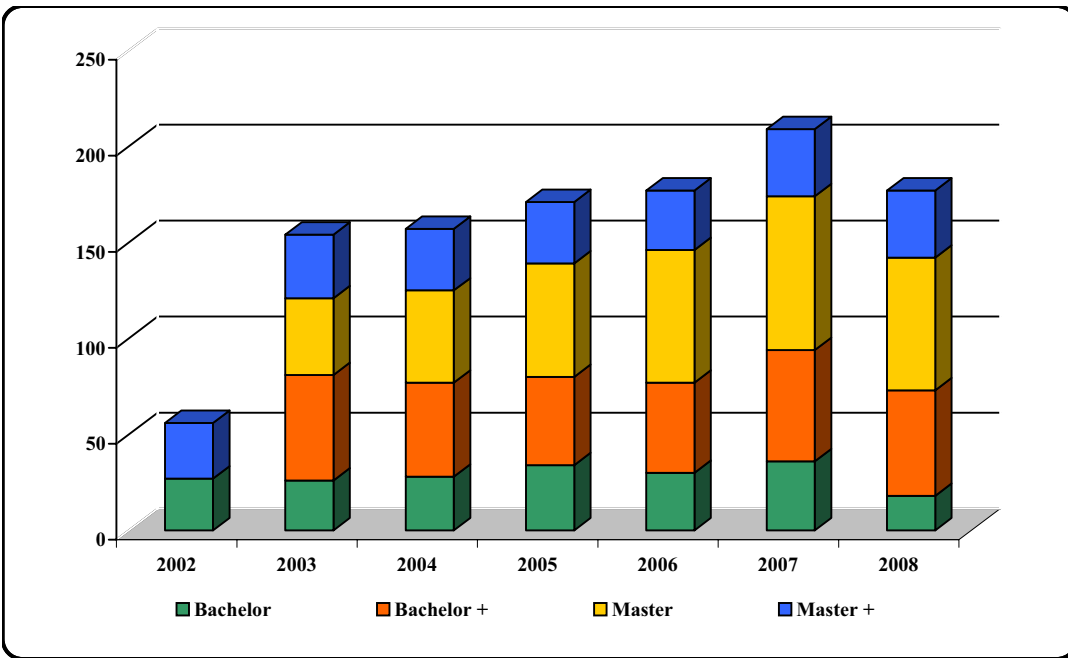
Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Highland High School										
Constructed in 2004										
Total building square footage	104,532	104,532	105,972	105,972	105,972	105,972	234,000	234,000	234,000	234,000
Enrollment grades 9-12										
Student capacity	750	750	750	750	750	750	1,000	1,000	1,000	1,000
Regular instruction classrooms	30	30	30	30	30	30	45	45	45	45
Regular instruction teachers	35	34	37	37	41	38	39	41	41	45
Special instruction classrooms	5	5	5	5	5	5	4	4	4	4
Special instruction teachers	5	8	8	8	8	8	8	8	8	7
Highland Middle School										
Constructed in 1958										
Total building square footage	60,081	60,081	60,081	60,081	60,081	60,081	115,972	115,972	115,972	115,972
Enrollment grades 6-8										
Student capacity	525	525	525	525	525	525	750	750	750	750
Regular instruction classrooms	25	25	25	25	25	25	30	30	30	30
Regular instruction teachers	28	27	29	28	32	28	29	32	32	32
Special instruction classrooms	5	5	5	5	5	5	5	5	5	5
Special instruction teachers	6	8	7	8	12	12	10	10	10	10
Granger Elementary School										
Constructed in 1929										
Total building square footage	n/a	n/a	n/a	n/a	n/a	n/a	60,081	60,081	60,081	60,081
Enrollment grades K-5										
Student capacity	n/a	n/a	n/a	n/a	n/a	n/a	525	525	525	525
Regular instruction classrooms	n/a	n/a	n/a	n/a	n/a	n/a	25	25	25	25
Regular instruction teachers	n/a	n/a	n/a	n/a	n/a	n/a	23	24	24	24
Special instruction classrooms	n/a	n/a	n/a	n/a	n/a	n/a	5	5	5	5
Special instruction teachers	n/a	n/a	n/a	n/a	n/a	n/a	5	7	7	7
Hinckley Elementary School										
Constructed in 1949										
Total building square footage	41,365	41,365	41,365	41,365	41,365	52,265	52,265	52,265	52,265	52,265
Enrollment grades K-5										
Student capacity	400	400	400	400	400	400	400	400	400	400
Regular instruction classrooms	20	20	20	20	20	20	20	20	20	20
Regular instruction teachers	18	22	23	22	23	23	19	21	21	21
Special instruction classrooms	3	3	3	3	3	3	3	3	3	3
Special instruction teachers	6	6	7	6	8	8	6	4	4	6
Sharon Elementary School										
Constructed in 1922										
Total building square footage	52,080	52,080	54,960	54,960	54,960	54,960	54,960	54,960	54,960	54,960
Enrollment grades K-5										
Student capacity	450	450	450	450	450	450	450	450	450	450
Regular instruction classrooms	24	24	24	24	24	24	24	24	24	24
Regular instruction teachers	22	27	29	28	31	20	24	24	24	24
Special instruction classrooms	3	3	3	3	3	3	3	3	3	3
Special instruction teachers	10	12	11	10	12	13	8	5	5	5

Source: School District Records.

Highland Local School District
Full-Time Equivalent Teachers by Education
Last Seven Fiscal Years

<u>Degree</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Bachelor's Degree	27	26	28	34	30	36	18
Bachelor + 15	22	25	17	17	18	26	26
Bachelor + 30	36	30	32	29	29	32	29
Master's Degree	35	40	48	59	69	80	69
Master's + 15	11	14	13	12	12	15	16
Master's + 30	18	19	19	20	19	20	19
Total	149	154	157	171	177	209	177



Source: School District Records. Information prior to 2002 is not available.

Highland Local School District

Teachers' Salaries

Last Eight Fiscal Years (1)

<u>Fiscal Year</u>	<u>Highland Local School District Average Salary</u>	<u>Statewide Average Salary</u>
2001	\$ 42,350	\$ 42,995
2002	43,807	43,755
2003	46,759	45,645
2004	48,040	47,659
2005	46,327	49,438
2006	50,400	50,772
2007	54,684	53,536
2008	54,990	53,410

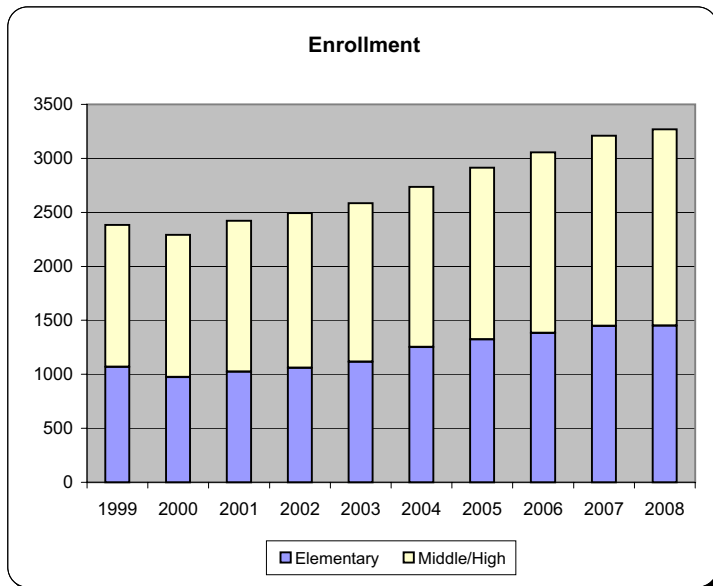
Source: Ohio Department of Education.

(1) Information prior to 2001 is not available.
Last ten years of information will be reported when available.

Highland Local School District

**Enrollment Statistics
Last Ten Fiscal Years**

Fiscal Year	Highland Elementary Schools	Highland Middle/High School	Total
1999	1,068	1,317	2,385
2000	974	1,318	2,292
2001	1,025	1,396	2,421
2002	1,060	1,434	2,494
2003	1,115	1,470	2,585
2004	1,253	1,482	2,735
2005	1,324	1,590	2,914
2006	1,382	1,673	3,055
2007	1,448	1,763	3,211
2008	1,452	1,817	3,269



Source: Ohio Department of Education.

Highland Local School District
Average Number of Students per Teacher
Last Ten Fiscal Years

Fiscal Year	Highland Local School District Average	State Average
1999	20.60	18.60
2000	20.50	18.10
2001	20.20	18.00
2002	20.50	16.90
2003	20.20	16.50
2004	16.10	18.50
2005	14.87	18.50
2006	15.28	18.60
2007	20.61	19.60
2008	20.42	18.60

Source: Ohio Department of Education.

Highland Local School District

Attendance and Graduation Rates

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Highland Local School District Attendance Rate</u>	<u>State Average</u>	<u>Highland Local School District Graduation Rate</u>	<u>State Average</u>
1999	96.30%	93.50%	89.60%	80.60%
2000	95.50%	93.60%	95.40%	80.60%
2001	95.50%	93.90%	94.10%	81.10%
2002	95.90%	94.30%	96.60%	82.70%
2003	96.00%	94.50%	96.10%	84.30%
2004	96.20%	94.50%	96.50%	85.90%
2005	96.00%	94.30%	96.00%	86.20%
2006	96.00%	94.10%	98.30%	86.10%
2007	96.30%	94.10%	98.10%	86.90%
2008	96.40%	94.20%	n/a	n/a

Source: School District Records.

n/a - information is not available at this time.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 18, 2008**