



**Auditor of State
Betty Montgomery**

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 basic financial statements of Highland Local School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 20, 2004 wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 20, 2004.

Internal Control Over Financial Reporting

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

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

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

Betty Montgomery
Auditor of State

January 20, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND 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 are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

Schedule of Receipts and Expenditures of Federal Awards

We have audited the basic financial statements of the District, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 20, 2004, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

January 20, 2004

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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

Federal Grantor / Pass Through Grantor / 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>						
Title I Grants to Local Educational Agencies	C1-S1-2003 C1-S1-2002	84.010	\$65,304		\$59,592 9,274	
Total Title I Grants to Local Educational Agencies			65,304		68,866	
Special Education Cluster: Special Education: Grants to States	6B-SF-2003P 6B-SF-2002P	84.027	233,669 1,440		198,538 35,011	
Total Special Education: Grants to States			235,109		233,549	
Special Education: Preschool Grants	PG-S1-03P PG-S1-02P	84.173	9,564		9,303 680	
Total Special Education: Preschool Grants			9,564		9,983	
Total Special Education Cluster			244,673		243,532	
School Renovation Grant	AT-S1-2003 AT-S1-2002	84.352	14,079		11,108 2,585	
Total School Renovation Grant			14,079		13,693	
Safe and Drug-Free Schools and Communities: State Grants	DR-S1-2003 DR-S1-2002	84.186	7,458		7,458 178	
			7,458		7,636	
Eisenhower Professional Development State Grants	MS-S1-2002	84.281	17		1,910	
Innovative Education Program Strategies	C2-S1-2003	84.298	13,839		13,839	
Improving Teacher Quality State Grants	TR-S1-2003	84.367	51,800		51,800	
Technology Literacy Challenge Fund Grants	TJ-S1-2003	84.318	4,186		4,186	
Class Size Reduction	CR-S1-2002	84.340			19	
Total U. S. Department of Education			401,356		405,481	
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Donation Program	N/A	10.550		\$26,571		\$26,571
National School Lunch Program	N/A	10.555	38,566		38,566	
Total U.S. Department of Agriculture - Child Nutrition Cluster			38,566	26,571	38,566	26,571
Totals			\$439,922	\$26,571	\$444,047	\$26,571

The Notes to Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (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

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

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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):	Special Education Cluster: Special Education Grants to States - 84.027 Special Education Preschool Grants - 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



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2003

Highland Local School District

Medina, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

Prepared By:
Mary M. Markle, Treasurer and
Treasurer's Office Staff

Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2003

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Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2003

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Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2003

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INTRODUCTORY SECTION



Highland Local Schools

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

February 23, 2004

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, 2003, 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 2002-2003 fiscal year.

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

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

The arrangement of this CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes a table of contents, this transmittal letter, a list of principal officials, the School District's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2002.

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

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

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

DESCRIPTION OF THE SCHOOL DISTRICT

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

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

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

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

As of June 30, 2003, the School District had 2,716 public students enrolled in four schools: Sharon Elementary, Hinckley 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 2,716 students in the School District attended the Medina County Career Center during the 2002-2003 school year.

Following a period of decline in the mid 1980's, the enrollment in the School District, as of the June 2003 count, has grown more than 47 percent since 1990 when enrollment was at 1,846. 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, Ruth Abboud, President, Nancy Wingenbach, Vice President, Robert Kelly, Robert Senkar and Trent Smith. Combined, these individuals have served the Highland Local School District for 33 years.

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

The Treasurer is the chief financial officer of the School District and is responsible directly to the Board for all financial operations, investments, custody of all School District funds and assets, and serves as Secretary to the Board. Mrs. Mary M. Markle was initially appointed Treasurer of the School District on October 1, 1985. Mrs. Markle came into the School District with a total of five years' experience as a school treasurer. Mrs. Markles' current contract will expire on the date of the Organizational Meeting of the Board of Education in January 2004.

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

REPORTING ENTITY

The School District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." 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, Medina, and the Hinckley Branch of the Medina County Library) 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.

ECONOMIC CONDITION AND FUTURE OUTLOOK

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

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

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Across the School District a number of major accomplishments have taken place at each of the four instructional buildings. The following are examples of those initiatives that directly impact teaching and learning:

STUDENTS - STAFF – DISTRICT

MEDINA COUNTY TEACHER OF EXCELLENCE

- Highland High School advanced math teacher Fred Warmbrodt was named the “Medina County Teacher of Excellence” by the Medina County Educational Service Center. Mr. Warmbrodt, in his 28th year of teaching, was recognized for his passion and enthusiasm for teaching.

NATIONAL MERIT SCHOLARSHIP PROGRAM

- Four students in the High School were award winners in the National Merit Scholarship Program. Semifinalist; Thomas Prebis, Commended Students; Julie Defosseze, Jennifer Lane and Elizabeth Porter.

MUSIC IN THE SCHOOLS

- Many students in Highland High School and Middle School participate in either the choir or band program. Instructed by the talented staff of Christopher Ilg and Julie Connair for choir and Daryl Kubilus, William Turner and Edward Marquette for band, the students are exposed to a variety of music from classical to jazz. Both programs compete in Ohio Music Education Association adjudicated events each year and consistently receive the highest rating possible for their performance.

POWER OF THE PEN

- Highland Middle School seventh and eighth grade Power of the Pen teams performed very well at the district and regional tournaments. Power of the Pen is a creative writing program for seventh and eighth grade students in the State of Ohio. Schools in more than 80 counties participate in this writing competition that starts at the District level and ends with State finals to find and reward the best young writers in Ohio. The seventh grade team won the first place trophy and the combined, seventh and eighth grade, team took a second place overall trophy. Coaches for the writing team are Middle School staff members Marcy Hughes and Cathy Wilhelm.

WHLS-TV

- The Highland Local School District is using another “channel” to reach parents and community members: Channel 22 in Hinckley, Granger and Sharon in cooperation with Adelphia cable. WHLS-TV, the Highland Schools information channel, runs announcements about upcoming events at all four schools and news about student achievements. The School District uses WHLS-TV to update residents as to the progress of construction on the new high school.

SPORTSMANSHIP

- For the 8th year in a row, Highland High School received the Ohio High School Athletic Association Harold A. Meyer Sportsmanship, Ethics and Integrity Award. This award recognizes the schools, students, coaches and communities that have established athletic programs with exemplary policies, philosophies and campaigns promoting sportsmanship, ethics and integrity.

ATHLETIC TEAMS

- The girl's tennis team had State Qualifiers, Lindsey and Morgan Marsh, First Team All League members, Lindsey and Morgan Marsh, and Jaclyn Spirtos, Medina County MVP, Jaclyn Spirtos.
- The football team had First Team All League and First Team All Inland District players Elijah Blower and Brett Lonjak.
- The boy's golf team placed 3rd in the league. Dave Eyssen and Matt Kruza were First Team All League players.
- The wrestling team placed 2nd in the league. Bret Young was named First Team All League player. Ten team members qualified for District competition. Bret Young, Luke Majestic and Dan Thoburn were State Alternates. The team placed 3rd in the country and won the Team Sportsmanship Award at the Disney Duals.
- Kristin Matushevski was named First Team All League and First Team All Medina County Gazette in girls' basketball.
- The boy's track team placed 3rd in both the Medina County Meet and the Suburban League Meet. The team had ten members qualifying for Regionals. Qualifying for the State track meet was Tyler Chronister who placed 9th in the long jump.
- The girl's cross-country team qualified for regionals. Kelly Staruch was named First Team All League.
- The girl's track team were Avon Relay Team Champs and placed 5th at the Lakewood District. The relay team of Kelly Staruch, Kendal Russo, Katie Sako and Jessica Lhotsky broke the record of 23 years at the Regional Meet in Ravenna and qualified for State Meet. A new school pole vault record was set by Meryl Remington.
- Girl's Soccer team member Caitlin Mikita was named First Team All League, All Medina County Gazette, All Greater Akron and All Ohio.
- Mike Porter was named First Team All League for boy's soccer.
- The girl's softball team placed 2nd in the Suburban League. Jaclyn Spirtos and Summer Holland were named First Team All League. 1st Team All District and 2nd Team All State honors were also awarded to Jaclyn Spirtos.
- David Toennies was named First Team All League and All Ohio Runner in boy's cross country.

DRIVE TO SURVIVE

- Drive to Survive was a cross-country caravan of hydrogen, hybrid, and alternative fuel cars that made its way from Los Angeles to Washington D.C. last spring. It was sponsored by the "Institute for Ecolonomics," founded by actor/activist Dennis Weaver, who was also the lead driver in this caravan. Their mission is to promote clean-burning renewable energies and freedom from our dependence on foreign oil. Highland was the only Ohio stop for the Drive to Survive crew. Along with Mr. Weaver, students were able to meet engineers and activists and see alternative-fueled cars up close.

PLANT AND EDUCATIONAL SUPPORT

STATE REPORT CARD

- The Ohio Department of Education identified Highland Local Schools as one of one hundred nine school districts across the state to be rated “Excellent” on the Local Report Card. That determination was based on the School District’s student performance, attendance, graduation and spending patterns. In order to be designated an “Excellent” district, Ohio schools must receive a score of 21 or 22 on their Local Report Cards. Highland Local Schools met 22 out of 22 state standards.

TECHNOLOGY

- Several improvements were made to Highland’s technology infrastructure during the 2002-2003 school year. The technology specialists installed approximately 250 HP/Compaq desktop computers in all School District buildings. A new cafeteria register system was installed at Sharon Elementary and new web and email servers were purchased.
- A generous donation of computer equipment was received from Youngstown State University. The donation of 27 Ethernet switches provides the School District with faster data transfer, better bandwidth, and increased video capacity.

FINANCIAL ADVISORY PANEL

- A ten-member Financial Advisory Panel was established three years ago. Two community representatives from four of the townships provide an independent review of the School District’s finances, communicate this information to the citizens, and maintain dialogue with the Board of Education on financial issues. During the 2002-2003 school year, the Panel reviewed the facility needs of the School District and has recommended that the School District add additional classrooms to the current high school. The School District plans to provide the expansion with current financial resources.

FISCALLY SOUND

- Despite growing costs of doing business, the controversy over state funding and increasing numbers of unfunded state and federal mandates, the Highland Local School District remains in sound financial condition. This is particularly noteworthy because the School District relies heavily on the residential taxpayer for additional operating revenues.

HIGHLAND FOUNDATION FOR EDUCATIONAL EXCELLENCE

- During the 2002-2003 school year, the Highland Foundation for Educational Excellence donated more than \$40,000 in grants to the School District. The money funded several large scale projects for the schools and “innovation grants” for individual classrooms. The Foundation brought saxophonist Kenny Anderson to the schools as an artist-in-residence. Anderson spent a week in the School District running workshops, accompanying Highland bands during practice, and performing in concerts. The Foundation also sponsored a visit from Chris Crutcher, the critically acclaimed author of seven young adult novels. Crutcher conducted writing workshops, reviewed his books and shared hilarious stories with students and staff. With the Foundation’s help, Highland was able to implement a program of community education classes and Saturday enrichment programs for all residents. Increased donations are planned for the 2003-2004 school year.

THE CLASS OF 2003

FUTURE PLANS

- Following graduation, 71 percent of the Class of 2003 enrolled in a four-year college, 12 percent enrolled in a two-year college, and 6 percent in a trade and technical program.

VALEDICTORIAN

- One valedictorian with a grade point average of 4.63 led the Class of 2003: Salim Abboud.

HONORS DIPLOMAS

- Forty-eight graduates earned honors diplomas. An honors score on the Senior (twelfth grade) proficiency test is one of the eight criteria needed to earn the honors diploma.

EDUCATIONAL EXCELLENCE

- Thirty-six graduating seniors earned the Presidential Award for Educational Excellence given to students who complete the core curriculum, maintain a 3.5 grade point average or better, and score in at least the 85th percentile on a standardized reading or math test.

MERIT AWARDS

- 30 percent of the graduating class earned the State Award of Merit. To receive this honor, students must complete the core curriculum, plus have three units of a foreign language, a 3.25 grade point average, an average attendance of 90.8 percent or better and good character.

SCHOLARSHIP WINNERS

- Fifty-five members of the Class of 2003 shared in over \$2,000,000 over a four-year period in college and university scholarships awarded at graduation.

The above initiatives and accomplishments are only a small sample selection of the many fine programs and achievements within the School District. Each building prides itself in the tradition, vision, and excellence that set the tone for every activity within the School District. We are proud of the many outstanding accomplishments of the students, parents, staff, and volunteers in our community.

FINANCIAL INFORMATION

Accounting System

This is the first year the School District has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – State and Local Governments.” GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities as follows:

Government-wide financial statements – These statements are prepared on the accrual basis of accounting, which is similar to the basis of accounting followed by businesses. The government-wide statements report activities of the School District as governmental activities.

Fund financial statements – These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental funds use the modified accrual basis of accounting and include reconciliation to the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparison – This statement presents a comparison of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

As determined by criteria established by GASB Statement No. 34, the School District does not report any activities that qualify as enterprise or business type activities. As part of this new reporting model, management is also responsible for preparing a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This discussion follows the Independent Accountants' Report, providing an assessment of the School District's finances for fiscal year 2003 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the School District.

Internal Controls

The management of the School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School District are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). 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: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of cost and benefits requires estimates and judgments by management. Management believes the School Districts' internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The School District maintains its accounts, appropriations and other financial records in accordance with the procedures established and prescribed by the Ohio Revised Code and the Ohio Auditor of State. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the Board of Education. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The School District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and therefore, are not reappropriated.

All disbursements and transfers of cash between funds require appropriation authority for the Board. The Treasurer must certify purchase order requests stating that the appropriate accounts have the necessary funds available. Purchase orders are then encumbered and released to vendors. Management may make budgetary modifications as long as the total fund appropriation is not affected.

The accounting system used by the School District provides interim financial reports that detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations to date.

The Principal at each building directs site-based financial management. Building teams are formed to assist in formulating pertinent budget issues identified by staff, parents or students. Each building has an annual budget for instructional support and office operation.

School District Administrators and Principals receive financial reports monthly showing the status of the budget accounts for which they are responsible. The School District utilizes the State's software program allowing building level input of purchase requisitions. The Building Administrator and the Superintendent approve the requisitions, the Treasurer certifies the availability of funds, and then requisitions are electronically converted to numbered purchase orders and encumbered.

The basis of accounting and the various funds utilized by the Highland Local School District are fully described in Note 2 of the basic financial statements.

As an additional safeguard, a blanket bond covers all employees, and a separate, higher limit bond covers certain individuals in policy-making roles.

Single Audit Act

As a recipient of federal financial assistance, the School District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the School District and certain annual evaluations by the School District's independent auditors.

CASH MANAGEMENT

The School District has maintained the cash management program during 2002-2003 with the use of the following investment instruments: non-negotiable certificates of deposit, US Treasury Bills, Notes and Bonds, along with high interest public funds savings accounts, a sweep account and STAR (State Treasury Asset Reserve). To maximize earnings, all investments are matched to liabilities. The School District monitors its cash management program and investments on a weekly basis. The total amount of interest earned was \$800,782 and \$4,061 of this was recorded as program revenue.

Protection of the School District's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 110 percent of the total deposits to secure the repayment of all public monies deposited in a financial institution. A detailed description of the School District's investment functions is described in Note 5 to the financial statements.

RISK MANAGEMENT

As a political subdivision, the School District maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for general liability, property loss, boiler and machinery coverage, risk insurance for construction projects and vehicle fleet liability are purchased from insurance companies licensed to do business in the State of Ohio.

The School District operates and manages its hospital/medical health benefits, dental benefits, prescription drug benefits, vision benefits and life insurance program for employees on a self-insured basis. This Health (self-insurance) internal service fund was established in conjunction with formalized risk management programs in an effort to minimize risk exposure, and to control claims and premium costs. A third party administrator, Klais and Company, Inc., processes and initiates payment of claims.

The health benefits liability is limited by reinsurance that caps the individual liability at \$50,000 for fiscal year 2003. Control of the plan rests solely with the School District. The School District's health plan participates in a health network, which provides substantial discounts for the plan. A major advantage of the self-insurance program includes the School District's holding of fund balances as well as savings on administrative costs. The School District's health insurance fund balance on June 30, 2003 was \$1,260,164.

All employees of the School District are covered by worker's compensation. Since 1992, the School District has participated in a group-rating program in an effort to control these costs. The majority of school districts in Ohio are participating members.

PENSION PLANS

All School District employees are covered by the statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS). The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system, currently 14 percent.

School District contributions for 2003 were \$1,208,824 as the employer portion to STRS and \$431,974 in employer contributions to SERS. Included in the SERS remittance is an annual employer surcharge. Starting in 1988-89, an additional employer charge (surcharge) was levied on salaries of lower-paid SERS members. Minimum annual compensation is determined annually by the System's actuaries and was \$14,500 for fiscal year 2003. The surcharge is calculated at 14 percent of the difference between the member's annual compensation and the minimum compensation level. For the 2002-03 fiscal year, a surcharge of \$45,094 was incurred.

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. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendment of 1996. The Ohio Auditor of State performed the audit for the year ended June 30, 2003. 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, 2002. 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.

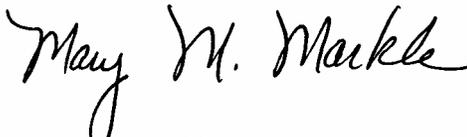
A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the high standards required by the Certificate of Achievement program.

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 2003 Comprehensive Annual Financial Report to the citizens and taxpayers of the School District.

Respectfully Submitted,



Mary M. Markle
Treasurer

Highland Local School District
Public Officials Roster
For the Fiscal Year Ended June 30, 2003

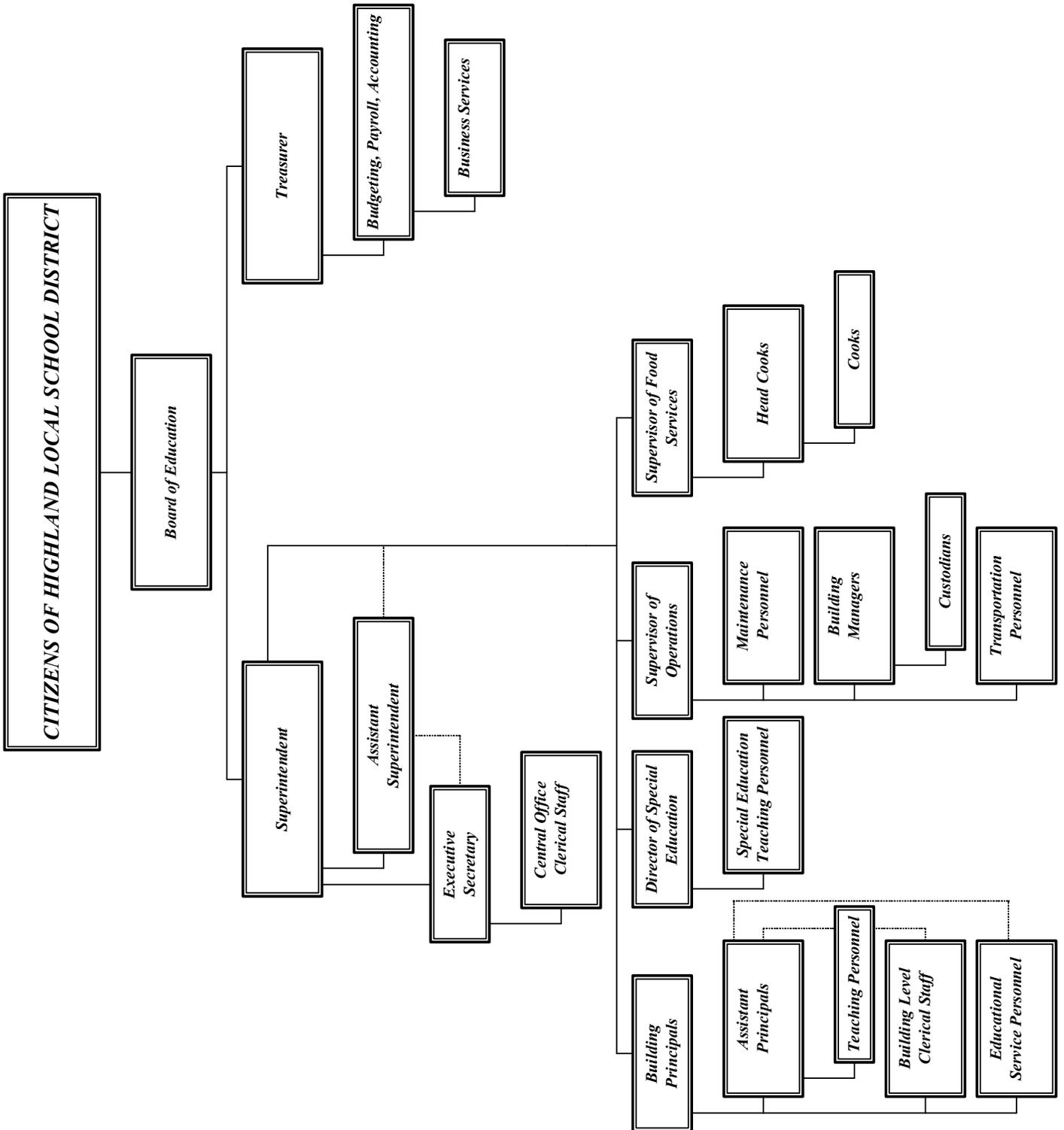
Board of Education

Ruth Abboud	Board Member, President
Nancy Wingenbach	Board Member, Vice-President
Robert Senkar	Board Member
Robert Kelly	Board Member
Trent Smith	Board Member

Administration

Dr. Bruce Armstrong	Superintendent
Mary M. Markle	Treasurer
Dr. John Opperman	Director of Special Education
Ann Johnson	Director of Curriculum and Instruction
James Reusch	Supervisor of Operations
Tracy Goebel	Community Information Coordinator
Joseph Wise	Highland High School Principal
Peter Ulrich	Highland High School Assistant Principal
Stacie Rastok	Highland Middle School Principal
Jeffery Jaroscak	Highland Middle School Assistant Principal
Robert Hummel	Interim Hinckley Elementary School Principal
Constance Marzullo	Sharon Elementary School Principal
Evelyn Makarek	Food Service Coordinator

**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, 2002

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.



President

Executive Director

FINANCIAL SECTION

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Highland Local School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

January 20, 2004

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Unaudited

This discussion and analysis of Highland Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Since this is the first year of financial presentation under Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", some analyses with prior year data are not available. Future Management Discussion and Analyses will be comparative.

Financial Highlights

Key financial highlights for 2003 are as follows:

- Net assets of governmental activities increased \$2,852,076, representing a 12.2 percent increase from 2002.
- General revenues accounted for \$23,304,149 in revenue or 93.0 percent of all revenues. Program revenues in the form of charges for services, operating and capital grants, contributions and interest accounted for \$1,766,999 or 7.0 percent of total revenues of \$25,071,148.
- The School District had \$22,219,072 in expenses related to governmental activities; only \$1,766,999 of these expenses was offset by program specific revenues. General revenues of \$23,304,149 were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$36,677,365, a decrease of \$13,754,119 from the prior fiscal year. The decrease was due largely to more than \$16.7 million in capital outlay expenditures in the building capital projects fund.

Using this Annual Financial Report

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

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

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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, debt service and building 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, 2003
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. This is the School District's first year for reporting government-wide financial statements using the accrual basis of accounting, therefore a comparison with the prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

Table 1 provides a summary of the School District's net assets for 2003:

Table 1
Net Assets

	<i>Governmental Activities</i>
Assets	
<i>Current and other assets</i>	\$ 58,602,498
<i>Capital assets, net of depreciation</i>	<u>28,906,291</u>
<i>Total assets</i>	<u>87,508,789</u>
Liabilities	
<i>Current and other liabilities</i>	20,521,143
<i>Long-term liabilities</i>	<u>40,668,936</u>
<i>Total liabilities</i>	<u>61,190,079</u>
Net Assets	
<i>Invested in capital assets, net of related debt</i>	10,813,432
<i>Restricted</i>	1,949,482
<i>Unrestricted</i>	<u>13,555,796</u>
<i>Total net assets</i>	<u>\$ 26,318,710</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the School District's assets exceeded liabilities by \$26,318,710.

Capital assets reported on the government-wide statements represent the largest portion of the School District's net assets for fiscal year 2003. Capital assets include land, land improvements, buildings, furniture, fixtures, and equipment, and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,949,482 or 7.4 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$842,811, or 43.2 percent, is restricted for debt service payments; \$902,184, or 46.3 percent, is restricted for capital projects; and \$84,978, or 4.4 percent, is restricted for expendable and nonexpendable trusts. A small amount, \$119,509, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$13,555,796 may be used to meet the government's ongoing obligations to students and staff.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 shows change in net assets for fiscal year 2003.

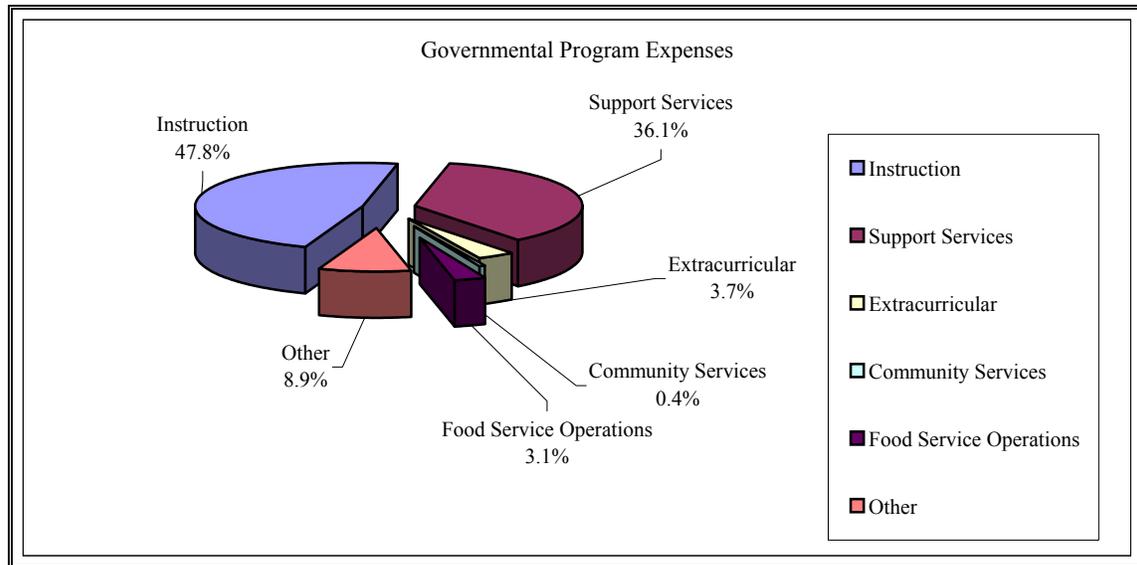
Table 2
Change in Net Assets

	<u>Governmental Activities</u>
Revenues	
<i>Program revenues:</i>	
Charges for services	\$ 1,073,478
Operating grants, contributions and interest	603,652
Capital grants and contributions	89,869
<i>General revenues:</i>	
Property taxes	15,440,126
Grants and entitlements	6,724,999
Investment earnings	796,721
Miscellaneous	342,303
<i>Total revenues</i>	<u>25,071,148</u>
Program Expenses	
<i>Instruction:</i>	
Regular	8,301,672
Special	2,019,730
Vocational	221,771
Other	69,763
<i>Support services:</i>	
Pupils	935,963
Instructional staff	1,339,268
Board of education	18,217
Administration	1,536,965
Fiscal	652,819
Business	53,637
Operation and maintenance of plant	1,825,099
Pupil transportation	1,466,258
Central	191,871
Food service operations	693,490
Operation of community services	95,703
Extracurricular activities	830,425
Interest and fiscal charges	1,966,421
<i>Total expenses</i>	<u>22,219,072</u>
<i>Increase in net assets</i>	2,852,076
<i>Net assets beginning of year</i>	<u>23,466,634</u>
<i>Net assets end of year</i>	<u><u>\$ 26,318,710</u></u>

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years a comparative analysis of government-wide data will be presented.



Governmental Activities

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated over \$15.4 million in 2003. General revenues from grants and entitlements, such as the school foundation program, generated over \$6.7 million. With the combination of taxes and intergovernmental funding comprising approximately 89.1 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

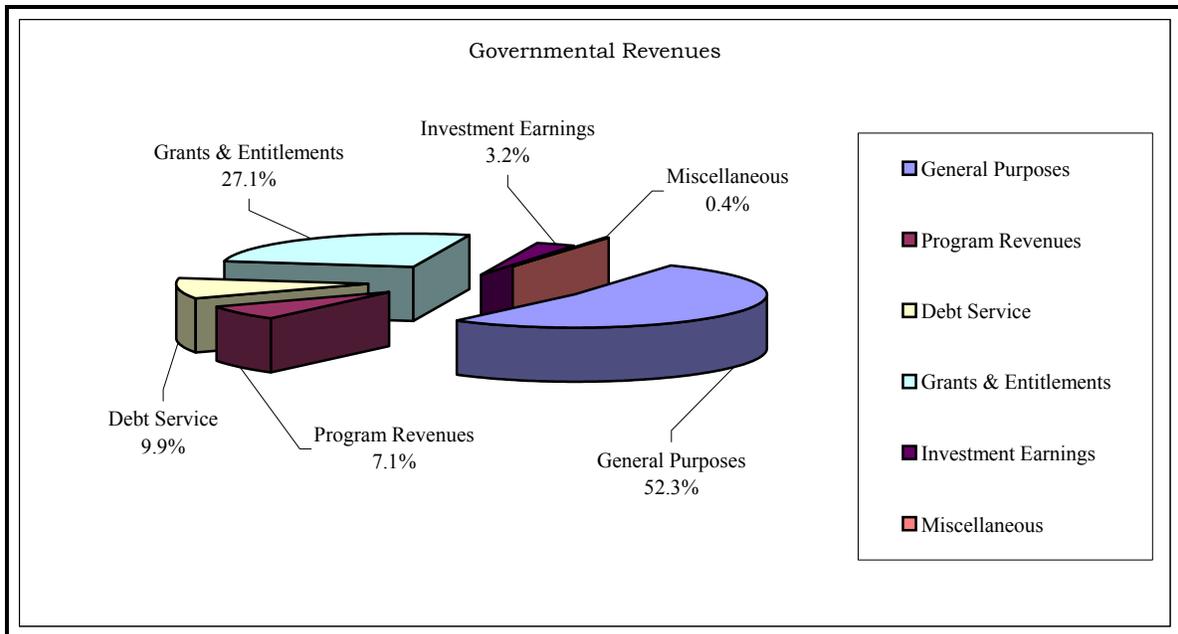
Costs directly related to the instruction of students comprised 47.8 percent of governmental program expenses.

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 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been presented since that information is not available. In future years a comparative analysis of government-wide data will be presented.

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003
 Unaudited

Table 3
Governmental Activities

	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Program Expenses		
<i>Instruction:</i>		
Regular	\$ 8,301,672	\$ (8,094,763)
Special	2,019,730	(1,878,157)
Vocational	221,771	(221,771)
Other	69,763	(69,763)
<i>Support services:</i>		
Pupils	935,963	(865,651)
Instructional staff	1,339,268	(1,215,631)
Board of education	18,217	(18,217)
Administration	1,536,965	(1,420,130)
Fiscal	652,819	(652,819)
Business	53,637	(53,637)
Operation and maintenance of plant	1,825,099	(1,825,099)
Pupil transportation	1,466,258	(1,376,389)
Central	191,871	(132,300)
Food service operations	693,490	(35,751)
Operation of community services	95,703	(3,641)
Extracurricular activities	830,425	(621,933)
Interest and fiscal charges	1,966,421	(1,966,421)
	<u>\$ 22,219,072</u>	<u>\$ (20,452,073)</u>



Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$25,064,345 and total expenditures and other financing uses were \$39,064,877. Although the total net change in fund balance across all governmental funds was a decrease of \$13,754,119, the School District continues to be financially stable. This decrease in fund balance is shown in the building fund, the major fund charged for all of the School District construction and renovation of school facilities. Bond proceeds to finance this activity were received in the prior year, thus resulting in a decrease in fund balance. The building fund has \$17,991,776 of fund balance reserved for encumbrances. These encumbrances represent the estimated unspent commitments on construction contracts. See note 14 to the basic financial statements for more information related to outstanding commitments of the building fund. The net increase in fund balance for the year was significant in the general fund, amounting to \$1,740,115, or 15.7%. Taxes receivable in the general fund are \$14.8 million or an increase of 11 percent from the prior year amount \$13.3 million. Net changes across all other nonmajor governmental funds amounted to a \$142,671, or 13.8%, increase.

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 2003, 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 \$20,188,335, which was slightly higher than the original budget estimate of \$19,801,334. Most of this \$387,001 difference was due to conservative estimates for property taxes and grant awards, the amounts of which are unknown during the original budgeting process. Those estimates must be adjusted during the year as the awards are finalized.

The original expenditures and other financing uses estimate of \$18,873,361 was revised slightly over the fiscal year. Actual expenditures and other financing uses, however, were only \$18,676,787, \$196,574 less than originally anticipated. No significant expenditure budget revisions were posted to the general fund during the year. Even though the School District became aware of unexpected revenues, there was no intention of spending these additional revenues in any specific area.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$28,906,291 invested in capital assets. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002:

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

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 3,895,889	\$ 3,114,630
Land improvements	653,114	592,023
Buildings	3,831,925	2,686,928
Furniture, fixtures and equipment	1,417,777	1,515,850
Vehicles	1,079,025	1,038,302
Construction in progress	18,028,561	2,997,561
Total capital assets	<u>\$ 28,906,291</u>	<u>\$ 11,945,294</u>

Land increased significantly from the prior year due in large part to the purchase of 97 acres of land on Ridge Road, at a cost of \$781,259. This land is intended to be used for athletic and practice fields, tennis courts, and possible future school construction. The \$1,144,997 increase in buildings is a reflection of the reclassification of prior year construction in progress coupled with the completion of school buildings during the year. Finally, construction in progress increased by over \$15 million as a result of the School District's ongoing construction, renovation and improvement projects. Otherwise, depreciation largely offset capital acquisitions in the other asset classes. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2003 the School District had \$39,860,000 in bonds outstanding with \$715,000 due within one year. This balance reflected a reduction of \$40,000 from the previous year's balance of \$39,900,000. Table 5 summarizes the bonds outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities 2003</u>	<u>Governmental Activities 2002</u>
School improvement bonds	\$ 39,860,000	\$ 39,900,000

During the previous 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.

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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 15, 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 though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. See Note 18 to the basic financial statements for more on this contingent matter.

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional financial information, contact Mary M. Markle, Treasurer, Highland Local School District, 3880 Ridge Road, Medina OH, 44256.

Highland Local School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 28,972,140
Cash and cash equivalents:	
In segregated accounts	11,846,460
With fiscal agents	29,537
Receivables:	
Taxes	17,595,765
Accounts	58,683
Intergovernmental	5,250
Accrued interest	42,924
Prepaid items	36,339
Inventory held for resale	13,451
Materials and supplies inventory	1,949
Capital assets:	
Land and construction in progress	21,924,450
Depreciable capital assets, net	6,981,841
Total assets	<u>87,508,789</u>
<u>Liabilities:</u>	
Accounts payable	38,287
Contracts payable	1,966,476
Accrued wages	1,802,818
Intergovernmental payable	482,971
Accrued interest payable	163,607
Matured interest payable	4,537
Matured bonds payable	25,000
Claims payable	156,512
Deferred revenue	15,880,935
Long-term liabilities:	
Due within one year	821,606
Due in more than one year	39,847,330
Total liabilities	<u>61,190,079</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	10,813,432
Restricted for:	
Capital projects	902,184
Debt service	842,811
Permanent fund purpose - scholarships	
Expendable	36,009
Nonexpendable	48,969
Other purposes	119,509
Unrestricted	<u>13,555,796</u>
Total net assets	<u>\$ 26,318,710</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 8,301,672	\$ 125,212	\$ 81,697	\$ -	\$ (8,094,763)
Special	2,019,730	52,626	88,947	-	(1,878,157)
Vocational	221,771	-	-	-	(221,771)
Other	69,763	-	-	-	(69,763)
Support services:					
Pupils	935,963	-	70,312	-	(865,651)
Instructional staff	1,339,268	-	123,637	-	(1,215,631)
Board of education	18,217	-	-	-	(18,217)
Administration	1,536,965	-	116,835	-	(1,420,130)
Fiscal	652,819	-	-	-	(652,819)
Business	53,637	-	-	-	(53,637)
Operation and maintenance of plant	1,825,099	-	-	-	(1,825,099)
Pupil transportation	1,466,258	-	-	89,869	(1,376,389)
Central	191,871	-	59,571	-	(132,300)
Operation of non-instructional services					
Food service operations	693,490	600,071	57,668	-	(35,751)
Operation of community services	95,703	92,062	-	-	(3,641)
Extracurricular activities	830,425	203,507	4,985	-	(621,933)
Interest and fiscal charges	1,966,421	-	-	-	(1,966,421)
Total governmental activities	\$ 22,219,072	\$ 1,073,478	\$ 603,652	\$ 89,869	(20,452,073)
General Revenues:					
Property taxes levied for:					
General purposes					12,988,609
Debt service					2,451,517
Grants and entitlements not restricted to specific programs					6,724,999
Investment earnings					796,721
Miscellaneous					342,303
Total general revenues					23,304,149
Change in net assets					2,852,076
Net assets beginning of year - restated (See Note 3)					23,466,634
Net assets end of year					\$ 26,318,710

See accompanying notes to the basic financial statements.

Highland Local School District

Balance Sheet

Governmental Funds

June 30, 2003

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 13,843,049	\$ 726,815	\$ 11,971,989	\$ 1,270,078	\$ 27,811,931
Cash and cash equivalents:					
In segregated accounts	-	-	11,746,505	-	11,746,505
With fiscal agents	-	29,537	-	-	29,537
Receivables:					
Taxes	14,807,844	2,787,921	-	-	17,595,765
Accounts	16,293	-	-	160	16,453
Intergovernmental	-	-	-	5,250	5,250
Accrued interest	4,499	-	38,425	-	42,924
Inventory held for resale	-	-	-	13,451	13,451
Materials and supplies inventory	-	-	-	1,949	1,949
Prepaid items	36,339	-	-	-	36,339
Total assets	<u>\$ 28,708,024</u>	<u>\$ 3,544,273</u>	<u>\$ 23,756,919</u>	<u>\$ 1,290,888</u>	<u>\$ 57,300,104</u>
<u>Liabilities:</u>					
Accounts payable	\$ 35,902	\$ -	\$ -	\$ 2,385	\$ 38,287
Accrued wages	1,708,189	-	-	94,629	1,802,818
Intergovernmental payable	294,136	-	-	14,781	308,917
Contracts payable	-	-	1,966,476	-	1,966,476
Matured bonds payable	-	25,000	-	-	25,000
Matured interest payable	-	4,537	-	-	4,537
Deferred revenue	13,876,664	2,600,040	-	-	16,476,704
Total liabilities	<u>15,914,891</u>	<u>2,629,577</u>	<u>1,966,476</u>	<u>111,795</u>	<u>20,622,739</u>
<u>Fund balances:</u>					
Reserved for:					
Encumbrances	216,728	-	17,991,776	3,533	18,212,037
Endowments	-	-	-	48,969	48,969
Unreserved, undesignated, reported in:					
General fund	12,576,405	-	-	-	12,576,405
Special revenue funds	-	-	-	188,398	188,398
Debt service fund	-	914,696	-	-	914,696
Capital projects funds	-	-	3,798,667	902,184	4,700,851
Permanent funds	-	-	-	36,009	36,009
Total fund balances	<u>12,793,133</u>	<u>914,696</u>	<u>21,790,443</u>	<u>1,179,093</u>	<u>36,677,365</u>
Total liabilities and fund balances	<u>\$ 28,708,024</u>	<u>\$ 3,544,273</u>	<u>\$ 23,756,919</u>	<u>\$ 1,290,888</u>	<u>\$ 57,300,104</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, 2003

Total governmental fund balances		\$ 36,677,365
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.		28,906,291
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes		595,769
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.		1,145,882
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(174,054)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (39,860,000)	
Compensated absences	(785,634)	
Capital leases	(23,302)	
Accrued interest payable	(163,607)	
Total	<u>(40,832,543)</u>	<u>(40,832,543)</u>
Net assets of governmental activities		<u>\$ 26,318,710</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, 2003

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Taxes	\$ 13,014,556	\$ 2,449,333	\$ -	\$ -	\$ 15,463,889
Intergovernmental	6,487,989	326,880	-	509,032	7,323,901
Interest	309,878	-	486,843	4,061	800,782
Tuition and fees	112,611	-	-	163,583	276,194
Extracurricular activities	38,689	-	-	158,523	197,212
Gifts and donations	31,298	-	-	3,396	34,694
Charges for services	-	-	-	600,072	600,072
Rent	-	-	-	1,981	1,981
Miscellaneous	266,451	41,377	2,016	71,348	381,192
Total revenues	<u>20,261,472</u>	<u>2,817,590</u>	<u>488,859</u>	<u>1,511,996</u>	<u>25,079,917</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	7,701,129	-	-	132,869	7,833,998
Special	1,941,754	-	-	109,570	2,051,324
Vocational	211,230	-	-	-	211,230
Other	69,763	-	-	-	69,763
Support services:					
Pupils	822,482	-	-	77,716	900,198
Instructional staff	1,119,021	-	-	137,010	1,256,031
Board of education	18,217	-	-	-	18,217
Administration	1,401,163	3,697	-	107,740	1,512,600
Fiscal	602,804	34,589	2,500	-	639,893
Business	52,562	-	-	-	52,562
Operation and maintenance of plant	1,505,129	-	189,807	41,221	1,736,157
Pupil transportation	1,307,769	-	-	691	1,308,460
Central	115,171	-	-	74,570	189,741
Food Service operations	-	-	-	639,626	639,626
Operation of community services	-	-	-	91,238	91,238
Extracurricular activities	614,715	-	-	174,036	788,751
Capital outlay	781,259	-	16,708,873	13,875	17,504,007
Debt service:					
Principal retirement	23,719	40,000	-	-	63,719
Interest and fiscal charges	2,633	1,963,888	-	-	1,966,521
Total expenditures	<u>18,290,520</u>	<u>2,042,174</u>	<u>16,901,180</u>	<u>1,600,162</u>	<u>38,834,036</u>
Excess of revenues over (under) expenditures	<u>1,970,952</u>	<u>775,416</u>	<u>(16,412,321)</u>	<u>(88,166)</u>	<u>(13,754,119)</u>
<u>Other financing sources (uses):</u>					
Transfers in	2	-	-	230,839	230,841
Transfers out	(230,839)	-	-	(2)	(230,841)
Total other financing sources (uses)	<u>(230,837)</u>	<u>-</u>	<u>-</u>	<u>230,837</u>	<u>-</u>
Net change in fund balances	1,740,115	775,416	(16,412,321)	142,671	(13,754,119)
Fund balances beginning of year - restated (See Note 3)	11,053,018	139,280	38,202,764	1,036,422	50,431,484
Fund balances end of year	<u>\$ 12,793,133</u>	<u>\$ 914,696</u>	<u>\$ 21,790,443</u>	<u>\$ 1,179,093</u>	<u>\$ 36,677,365</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, 2003**

Net change in fund balances - total governmental funds \$ (13,754,119)

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	\$ 17,504,007	
Depreciation expense	<u>(537,381)</u>	
Excess of capital outlay over depreciation expense		16,966,626

The disposal of capital assets results in the removal of capital assets at cost and the difference in their
carrying value to cost, if immaterial, is charged to the program as an expense in the statement
of activities. (5,629)

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	\$ (23,763)	
Intergovernmental	<u>(1,440)</u>	
Net change in deferred revenues during the year		(25,203)

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. 63,719

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

Decrease in compensated absences	\$ 28,481	
Increase in pension obligation	(23,891)	
Decrease in accrued interest	<u>100</u>	
Total additional expenditures		4,690

The internal service fund is used by management to charge the costs of medical, prescription
drug, dental and vision claims to individual funds. The net revenue (expense) of the
internal service fund is allocated among the governmental activities. (398,008)

Change in net assets of governmental activities \$ 2,852,076

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, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 12,894,092	\$ 12,751,322	\$ 12,888,014	\$ 136,692
Intergovernmental	6,178,427	6,424,440	6,487,989	63,549
Interest	300,000	361,788	361,788	-
Tuition and fees	95,661	95,661	118,695	23,034
Extracurricular activities	57,054	39,510	38,689	(821)
Gifts and donations	32,000	32,159	31,298	(861)
Miscellaneous	16,500	255,855	32,952	(222,903)
Total revenues	<u>19,573,734</u>	<u>19,960,735</u>	<u>19,959,425</u>	<u>(1,310)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,851,094	7,852,778	7,663,062	189,716
Special	1,977,907	1,978,557	1,938,581	39,976
Vocational	212,162	212,162	209,454	2,708
Other	40,000	40,000	69,763	(29,763)
Support services:				
Pupils	822,813	822,163	819,811	2,352
Instructional staff	1,157,524	1,166,299	1,122,437	43,862
Board of education	23,473	23,473	19,381	4,092
Administration	1,422,289	1,424,241	1,398,190	26,051
Fiscal	597,721	597,721	596,281	1,440
Business	56,677	55,829	55,505	324
Operation and maintenance of plant	1,647,563	1,705,964	1,651,431	54,533
Pupil transportation	1,244,557	1,305,557	1,377,828	(72,271)
Central	117,725	138,761	124,384	14,377
Extracurricular activities	602,044	591,039	601,441	(10,402)
Capital outlay	868,992	868,992	798,399	70,593
Total expenditures	<u>18,642,541</u>	<u>18,783,536</u>	<u>18,445,948</u>	<u>337,588</u>
Excess of revenues over (under) expenditures	<u>931,193</u>	<u>1,177,199</u>	<u>1,513,477</u>	<u>336,278</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	227,600	227,600	228,747	1,147
Advances in	-	-	4,818	4,818
Transfers in	-	-	2	2
Transfers out	(230,820)	(230,820)	(230,839)	(19)
Total other financing sources (uses)	<u>(3,220)</u>	<u>(3,220)</u>	<u>2,728</u>	<u>5,948</u>
Net change in fund balance	927,973	1,173,979	1,516,205	342,226
Fund balance at beginning of year	11,932,515	11,932,515	11,932,515	-
Prior year encumbrances appropriated	163,711	163,711	163,711	-
Fund balance at end of year	<u>\$ 13,024,199</u>	<u>\$ 13,270,205</u>	<u>\$ 13,612,431</u>	<u>\$ 342,226</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2003

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 1,160,209
Cash and cash equivalents:	
In segregated accounts	99,955
Accounts receivable	42,230
Total assets	<u>1,302,394</u>
<u>Liabilities:</u>	
Claims payable	<u>156,512</u>
<u>Net assets:</u>	
Unrestricted	<u>1,145,882</u>
Total liabilities and net assets	<u>\$ 1,302,394</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, 2003

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	\$ 1,672,010
Other revenues	5,430
Total operating revenues	<u>1,677,440</u>
 <u>Operating expenses:</u>	
Purchased services	316,910
Claims	<u>1,758,538</u>
Total operating expenses	<u>2,075,448</u>
 Operating loss	 (398,008)
 Net assets beginning of year - restated	 <u>1,543,890</u>
Net assets end of year	<u>\$ 1,145,882</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 1,635,210
Cash payments to suppliers for goods and services	(316,910)
Cash payments for claims	(1,746,127)
Net cash used for operating activities	<u>(427,827)</u>
Net decrease in cash and cash equivalents	(427,827)
Cash and cash equivalents at beginning of year	1,687,991
Cash and cash equivalents at end of year	<u>\$ 1,260,164</u>
Reconciliation of operating loss to net cash <u>used for operating activities:</u>	
Operating loss	<u>\$ (398,008)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(42,230)
Increase (decrease) in liabilities:	
Claims payable	12,411
Net cash used for operating activities	<u>\$ (427,827)</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 71,783</u>
<u>Liabilities:</u>	
Due to students	<u>\$ 71,783</u>

See accompanying notes to the basic financial statements.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Highland Local School District was established in 1952 through the consolidation of the former Granger-Sharon and Hinckley Local School Districts. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 129 non-certificated employees and 171 certificated teaching and support personnel, including 10 administrators, that provides services to 2,716 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. Based on the above criteria, the School District had no component units at June 30, 2003.

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 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

A. Basis of Presentation - Fund Accounting

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" revenues and expenses as governmental activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 three major governmental funds:

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

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

Building Fund: The building fund is used 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.

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

C. Measurement Focus and Basis of Accounting

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

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

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 agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenue - Exchange and Non-exchange Transactions

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

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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 on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory Held for Resale" within the basic financial statements.

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

D. Budgets and Budgetary Accounting

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

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003. 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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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.

E. Cash and Investments

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

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

The School District invested funds in STAR Ohio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Interfund Balances

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

H. Inventory

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

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

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. The School District expended all restricted assets in accordance with specific restrictions during the fiscal year. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

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

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

K. Compensated Absences

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

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

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.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

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

M. Operating Revenues and Expenses

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

N. Interfund Transactions

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

O. Estimates

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

P. Fund Balance Reserves

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

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

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business-type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2002 and has reported prepaid amounts for services not yet consumed.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Restatement of Fund Balances

It was determined that enterprise funds should be reclassified to special revenue funds. The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balances of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Debt Service</u>	<u>Building Improvements</u>	<u>Nonmajor</u>	<u>Total</u>
<i>Fund balances,</i>					
<i>June 30, 2002</i>	\$ 10,901,704	\$ 139,280	\$ 38,202,764	\$ 868,100	\$ 50,111,848
<i>Fund reclassification</i>	6,072	-	-	109,725	115,797
<i>Prepaid items</i>	17,116	-	-	-	17,116
<i>Fund reclassification,</i>					
<i>Nonexpendable to Permanent</i>	-	-	-	58,597	58,597
<i>Interpretation No. 6</i>					
<i>compensated absences</i>	128,126	-	-	-	128,126
<i>Adjusted fund balances,</i>					
<i>June 30, 2002</i>	<u>\$ 11,053,018</u>	<u>\$ 139,280</u>	<u>\$ 38,202,764</u>	<u>\$ 1,036,422</u>	50,431,484

GASB Statement No. 34 Adjustments:

<i>Internal service fund</i>	1,543,890
<i>Capital assets</i>	11,945,294
<i>Long-term debt</i>	(39,947,021)
<i>Long-term liabilities</i>	(814,115)
<i>Intergovernmental payable - full accrual</i>	(150,163)
<i>Accrued interest</i>	(163,707)
<i>Long-term (deferred) assets</i>	620,972
<i>Governmental activities net assets, June 30, 2002</i>	<u>\$ 23,466,634</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures 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).

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Net Change in Fund Balance

	<u>General</u>
<i>GAAP Basis</i>	\$ 1,740,115
<i>Revenue Accruals</i>	(68,482)
<i>Expenditure Accruals</i>	75,190
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(230,618)</u>
<i>Budget Basis</i>	<u>\$ 1,516,205</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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;

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

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

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

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

Deposits: The carrying value of the School District's deposits totaled \$39,501,796, and the bank balances of the deposits totaled \$40,760,311. The School District also had \$5,770 in petty cash at June 30, 2003. Of the bank balance:

1. \$629,537 was covered by federal depository insurance; and
2. \$40,130,774 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

All interest is legally required to be placed in the general fund, the food service special revenue fund and the Scholarships permanent fund. Interest revenue credited to the general fund during fiscal year 2003 amount to \$309,878, which includes \$264,048 assigned from other School District funds.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 485,000	\$ 485,000
Total Categorized	<u>\$ 485,000</u>	
 <u>Noncategorized Investments</u>		
State Treasurer's Pool		<u>927,354</u>
Total Investments		<u>\$ 1,412,354</u>

The School District's investment in Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

NOTE 6 - PROPERTY TAX

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

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$931,180 in the general fund and \$187,881 in the bond retirement 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:

<i>Property Category</i>	<i>2002 Assessed Value</i>	<i>2001 Assessed Value</i>
<i>Real Property</i>		
<i>Residential and agricultural</i>	\$ 423,787,780	\$ 405,577,570
<i>Commercial, industrial and minerals</i>	30,441,780	29,876,620
<i>Public utilities</i>	5,520	5,800
<i>Tangible Personal Property</i>		
<i>General</i>	20,009,825	18,012,416
<i>Public utilities</i>	<u>12,435,380</u>	<u>11,900,010</u>
<i>Total</i>	<u>\$ 486,680,285</u>	<u>\$ 465,372,416</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. The general fund accounts receivable at year-end consisted of excess cost and other miscellaneous reimbursements of \$16,293. Also, the Food Service special revenue fund recorded an intergovernmental receivable for a federal subsidy reimbursement in the amount of \$5,250.

HIGHLAND LOCAL SCHOOL DISTRICTNotes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

<u>Governmental Activities</u>	<i>Restated Balance June 30, 2002</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance June 30, 2003</i>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,114,630	\$ 781,259	\$ -	\$ 3,895,889
Construction in progress	<u>2,997,561</u>	<u>15,543,365</u>	<u>(512,365)</u>	<u>18,028,561</u>
Total capital assets, not being depreciated	<u>6,112,191</u>	<u>16,324,624</u>	<u>(512,365)</u>	<u>21,924,450</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,774,045	79,670	-	1,853,715
Buildings	6,332,807	1,322,502	-	7,655,309
Furniture, fixtures and equipment	2,671,953	97,775	(12,610)	2,757,118
Vehicles	<u>2,052,656</u>	<u>191,801</u>	<u>(42,120)</u>	<u>2,202,337</u>
Total capital assets, being depreciated	<u>12,831,461</u>	<u>1,691,748</u>	<u>(54,730)</u>	<u>14,468,479</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	(1,182,022)	(18,579)	-	(1,200,601)
Buildings	(3,645,879)	(177,505)	-	(3,823,384)
Furniture, fixtures and equipment	(1,156,103)	(194,431)	11,193	(1,339,341)
Vehicles	<u>(1,014,354)</u>	<u>(146,866)</u>	<u>37,908</u>	<u>(1,123,312)</u>
Total accumulated depreciation	<u>(6,998,358)</u>	<u>(537,381)</u>	<u>49,101</u>	<u>(7,486,638)</u>
Total capital assets being depreciated, net	<u>5,833,103</u>	<u>1,154,367</u>	<u>(5,629)</u>	<u>6,981,841</u>
Governmental activities capital assets, net	<u>\$ 11,945,294</u>	<u>\$ 17,478,991</u>	<u>\$ (517,994)</u>	<u>\$ 28,906,291</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 236,241
<i>Special</i>	3,870
<i>Vocational</i>	1,601
<i>Support services:</i>	
<i>Pupils</i>	1,614
<i>Instructional staff</i>	35,179
<i>Administration</i>	9,785
<i>Fiscal</i>	800
<i>Business</i>	1,075
<i>Operation and maintenance of plant</i>	57,713
<i>Pupil transportation</i>	137,609
<i>Central</i>	1,115
<i>Food service operations</i>	255
<i>Operation of community services</i>	12,301
<i>Extracurricular activities</i>	<u>38,223</u>
<i>Total depreciation expense</i>	<u>\$ 537,381</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables result 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. All interfund balances outstanding at June 30, 2002 were repaid during fiscal year 2003. Also, all current year interfund receivables and payables were repaid prior to year-end. Therefore, as of June 30, 2003, there were no interfund balances to report in the basic financial statements.

NOTE 10 - INTERFUND TRANSFERS

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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Interfund transfers for the year ended June 30, 2003, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>	
<i>General fund</i>	\$ -	\$ 2	\$ 2
<i>Nonmajor funds</i>	<u>230,839</u>	<u>-</u>	<u>230,839</u>
<i>Total</i>	<u>\$ 230,839</u>	<u>\$ 2</u>	<u>\$ 230,841</u>

NOTE 11 - RISK MANAGEMENT

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

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$156,512, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$50,000 per employee.

Changes in the fund's claims liability during 2002 and 2003 were:

<u>Fiscal Year</u>	<u>Balance at beginning of year</u>	<u>Current year claims</u>	<u>Claim payments</u>	<u>Balance at end of year</u>
2002	\$ 142,843	1,364,536	(1,363,278)	144,101
2003	\$ 144,101	1,758,538	(1,746,127)	156,512

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2002, 5.46% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$225,772, \$150,035, and \$132,946, respectively; 45% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$139,202, representing the unpaid contribution for fiscal year 2003, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

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

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

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

For the fiscal year ended June 30, 2003 plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,122,479, \$795,117, and \$721,295, respectively; 83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$186,654, representing the unpaid contribution for fiscal year 2003, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2003 were \$10,910 made by the School District and \$16,585 made by the plan members.

NOTE 13 - POST-EMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$86,345 during the 2003 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.011 billion at June 30, 2002, (latest information available). For the year ended June 30, 2002, the net health care costs paid by the STRS were \$354,697,000 and eligible benefit recipients totaled 105,300.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$206,202, which includes a surcharge of \$45,094 during the 2003 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the SERS's net assets available for payment of health care benefits was \$303.6 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

NOTE 14 - CONSTRUCTION COMMITMENTS

The School District had several outstanding construction projects as of June 30, 2003. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
<i>New high school</i>	\$ 15,061,549	\$ 16,062,565
<i>Building renovations</i>	<u>1,394,030</u>	<u>1,683,038</u>
<i>Total</i>	<u>\$ 16,455,579</u>	<u>\$ 17,745,603</u>

HIGHLAND LOCAL SCHOOL DISTRICTNotes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**NOTE 15 – BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS**

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

<i>Governmental activities</i>	<i>Balance June 30, 2002</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2003</i>	<i>Due in one year</i>
<i>General Obligation Bonds</i>					
<i>School improvement bonds, 3.0 - 5.75%, maturing December 1, 2026</i>	\$ 39,900,000	\$ -	\$ (40,000)	\$ 39,860,000	\$ 715,000
<i>Other Obligations</i>					
<i>Compensated absences</i>	806,314	-	(20,680)	785,634	83,304
<i>Capital leases payable</i>	47,021	-	(23,719)	23,302	23,302
<i>Total other liabilities</i>	853,335	-	(44,399)	808,936	106,606
<i>Governmental activities long-term liabilities</i>	<u>\$ 40,753,335</u>	<u>\$ -</u>	<u>\$ (84,399)</u>	<u>\$ 40,668,936</u>	<u>\$ 821,606</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 bond proceeds consisted of the bond principal and \$717,557 of premium. The bonds and interest are to be repaid by the bond retirement debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

Other Obligations: Compensated absences are typically paid from the fund from which the employee is paid. Additions and deletions of accrued vacation and sick leave are shown “net” since it is impractical for the School District to determine these amounts separately. 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, 2003 are as follows:

<i>Fiscal Year</i>	<i>School Improvement Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2004	\$ 715,000	\$ 1,952,563	\$ 2,667,563
2005	805,000	1,928,756	2,733,756
2006	905,000	1,900,969	2,805,969
2007	1,005,000	1,868,675	2,873,675
2008	1,115,000	1,828,787	2,943,787
2009-2013	6,705,000	8,228,862	14,933,862
2014-2018	6,180,000	6,706,275	12,886,275
2019-2023	10,280,000	4,485,744	14,765,744
2024-2027	12,150,000	1,276,750	13,426,750
<i>Total</i>	<u>\$ 39,860,000</u>	<u>\$ 30,177,381</u>	<u>\$ 70,037,381</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the School District entered into a 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 \$105,408 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$23,719.

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

<i>Fiscal Year</i>	<i>Lease Payments</i>
<i>2004</i>	<i>\$ 24,156</i>
<i>Total minimum lease payments</i>	<i>24,156</i>
<i>Less: amount representing interest</i>	<i>(854)</i>
<i>Total</i>	<i>\$ 23,302</i>

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, which serves as fiscal agent. During fiscal year 2003, the School District contributed \$31,349 to LEECA.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - CONTINGENCIES

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

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

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

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

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

NOTE 19 - 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 offsets and 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.

Effective April 10, 2001, Senate Bill 345 amended Ohio Revised Code 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. During the fiscal year, the Board acted on the Senate Bill and passed a resolution to eliminate the reserve balance.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbook</u> <u>Reserve</u>	<u>Capital</u> <u>Maintenance</u> <u>Reserve</u>	<u>Budget</u> <u>Stabilization</u> <u>Reserve</u>	<u>Total</u>
<i>Set-aside cash balance as of</i>				
<i>June 30, 2002</i>	\$ (50,239)	\$ -	\$ 230,820	\$ 180,581
<i>Current year set-aside requirement</i>	350,094	350,094	-	700,188
<i>Current year offset</i>	-	-	-	-
<i>Reduction in requirement based</i>				
<i>on revised legislation</i>	-	-	(230,820)	(230,820)
<i>Qualifying disbursements</i>	<u>(532,715)</u>	<u>(15,688,342)</u>	<u>-</u>	<u>(16,221,057)</u>
<i>Total</i>	<u>\$ (232,860)</u>	<u>\$ (15,338,248)</u>	<u>\$ -</u>	<u>\$ (15,571,108)</u>
<i>Balance carried forward to future years</i>	<u>\$ (232,860)</u>			<u>\$ (232,860)</u>

Combining Statements and Individual Fund Schedules

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.

Uniform School Supplies

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

Public School Support

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

Miscellaneous Local Grant

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

Latchkey

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

Underground Storage Tanks

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

District Managed Student Activity

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

Teacher Development

To account for state revenues used to assist teachers in gaining new skills and becoming familiar with new teaching methodologies.

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.

Data Communications

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

SchoolNet Professional Development

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

Ohio Reads

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

Miscellaneous State Grants

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

Eisenhower Professional Development

To account for federal funds used for strengthening instruction in science, mathematics, modern foreign languages, English, the arts and computer learning.

Title VI-B

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

Title I

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

Title V

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

Drug-Free Schools

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

EHA Preschool Grant for Handicapped

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

Improving Teacher Quality

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

Miscellaneous Federal Grants

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

Permanent Improvement

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

SchoolNet

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

NONMAJOR PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Special Trust

To account for assets held by the School District in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

Endowment

To account for money, securities or lands which have been set aside as an investment for public school purposes. The income from such a fund may be expended, but the principal must remain intact.

Highland Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 283,046	\$ 902,054	\$ 84,978	\$ 1,270,078
Receivables:				
Accounts	30	130	-	160
Intergovernmental	5,250	-	-	5,250
Inventory held for resale	13,451	-	-	13,451
Materials and supplies inventory	1,949	-	-	1,949
Total assets	<u>\$ 303,726</u>	<u>\$ 902,184</u>	<u>\$ 84,978</u>	<u>\$ 1,290,888</u>
<u>Liabilities and fund equity:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 2,385	\$ -	\$ -	\$ 2,385
Accrued wages	94,629	-	-	94,629
Intergovernmental payable	14,781	-	-	14,781
Total liabilities	<u>111,795</u>	<u>-</u>	<u>-</u>	<u>111,795</u>
<u>Fund equity:</u>				
Fund balance:				
Reserved for encumbrances	3,533	-	-	3,533
Reserved for endowment	-	-	48,969	48,969
Unreserved:				
Undesignated, reported in:				
Special revenue funds	188,398	-	-	188,398
Capital projects funds	-	902,184	-	902,184
Permanent funds	-	-	36,009	36,009
Total fund equity	<u>191,931</u>	<u>902,184</u>	<u>84,978</u>	<u>1,179,093</u>
Total liabilities and fund equity	<u>\$ 303,726</u>	<u>\$ 902,184</u>	<u>\$ 84,978</u>	<u>\$ 1,290,888</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, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$ 473,259	\$ 35,773	\$ -	\$ 509,032
Interest	1,728	-	2,333	4,061
Tuition and fees	163,583	-	-	163,583
Extracurricular activities	158,523	-	-	158,523
Gifts and donations	1,811	-	1,585	3,396
Customer services	600,072	-	-	600,072
Rent	-	1,981	-	1,981
Miscellaneous	71,348	-	-	71,348
Total revenues	<u>1,470,324</u>	<u>37,754</u>	<u>3,918</u>	<u>1,511,996</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	132,869	-	-	132,869
Special	109,570	-	-	109,570
Support services:				
Pupils	75,116	-	2,600	77,716
Instructional staff	137,010	-	-	137,010
Administration	107,740	-	-	107,740
Operation and maintenance of plant	-	41,221	-	41,221
Pupil transportation	691	-	-	691
Central	38,797	35,773	-	74,570
Food service operations	639,626	-	-	639,626
Operation of community services	91,238	-	-	91,238
Extracurricular activities	173,036	-	1,000	174,036
Capital outlay	-	13,875	-	13,875
Total expenditures	<u>1,505,693</u>	<u>90,869</u>	<u>3,600</u>	<u>1,600,162</u>
Excess of revenues over (under) expenditures	<u>(35,369)</u>	<u>(53,115)</u>	<u>318</u>	<u>(88,166)</u>
<u>Other financing sources (uses):</u>				
Transfers in	19	230,820	-	230,839
Transfers out	(2)	-	-	(2)
Total other financing sources (uses)	<u>17</u>	<u>230,820</u>	<u>-</u>	<u>230,837</u>
Net change in fund balances	(35,352)	177,705	318	142,671
Fund balances at beginning of year (restated)	227,283	724,479	84,660	1,036,422
Fund balances at end of year	<u>\$ 191,931</u>	<u>\$ 902,184</u>	<u>\$ 84,978</u>	<u>\$ 1,179,093</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Food Service	Uniform School Supplies	Public School Support	Miscellaneous Local Grant
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 68,133	\$ 14,035	\$ 44,104	\$ 13,216
Receivables:				
Accounts	-	-	-	-
Intergovernmental	5,250	-	-	-
Inventory held for resale	13,451	-	-	-
Materials and supplies inventory	1,949	-	-	-
Total assets	<u>\$ 88,783</u>	<u>\$ 14,035</u>	<u>\$ 44,104</u>	<u>\$ 13,216</u>
<u>Liabilities and fund equity :</u>				
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,740
Accrued wages	45,508	-	-	10,155
Intergovernmental payable	7,579	-	-	147
Total liabilities	<u>53,087</u>	<u>-</u>	<u>-</u>	<u>12,042</u>
<u>Fund equity:</u>				
Fund balance:				
Reserved for encumbrances	64	-	614	-
Special revenue funds	35,632	14,035	43,490	1,174
Total fund equity	<u>35,696</u>	<u>14,035</u>	<u>44,104</u>	<u>1,174</u>
Total liabilities and fund equity	<u>\$ 88,783</u>	<u>\$ 14,035</u>	<u>\$ 44,104</u>	<u>\$ 13,216</u>

<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Teacher Development</u>	<u>Management Information Systems</u>	<u>Data Communications</u>	<u>School Net Professional Development</u>
\$ 74,494	\$ 11,000	\$ 4,036	\$ -	\$ 8,398	\$ -	\$ 1,555
	-	30	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
<u>\$ 74,494</u>	<u>\$ 11,000</u>	<u>\$ 4,066</u>	<u>\$ -</u>	<u>\$ 8,398</u>	<u>\$ -</u>	<u>\$ 1,555</u>
	\$ -	\$ 390	\$ -	\$ -	\$ -	\$ -
7,810	-	-	-	-	-	-
1,294	-	-	-	-	-	-
<u>9,104</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	264	-	-	-	-
65,390	11,000	3,412	-	8,398	-	1,555
<u>65,390</u>	<u>11,000</u>	<u>3,676</u>	<u>-</u>	<u>8,398</u>	<u>-</u>	<u>1,555</u>
<u>\$ 74,494</u>	<u>\$ 11,000</u>	<u>\$ 4,066</u>	<u>\$ -</u>	<u>\$ 8,398</u>	<u>\$ -</u>	<u>\$ 1,555</u>

(Continued)

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Ohio Reads	Miscellaneous State Grants	Eisenhower Professional Development	Title VI-B
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ 35,130
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,130</u>
<u>Liabilities and fund equity :</u>				
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	-	25,666
Intergovernmental payable	-	-	-	5,681
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,347</u>
<u>Fund equity:</u>				
Fund balance:				
Reserved for encumbrances	-	-	-	-
Special revenue funds	-	-	-	3,783
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,783</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,130</u>

<u>Title I</u>	<u>Title V</u>	<u>Drug-Free Schools</u>	<u>EHA Preschool Grant for Handicapped</u>	<u>Improving Teacher Quality</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 5,713	\$ -	\$ -	\$ 261	\$ -	\$ 2,971	\$ 283,046
-	-	-	-	-	-	30
-	-	-	-	-	-	5,250
-	-	-	-	-	-	13,451
-	-	-	-	-	-	1,949
<u>\$ 5,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ -</u>	<u>\$ 2,971</u>	<u>\$ 303,726</u>
\$ -	\$ -	\$ -	\$ 255	\$ -	\$ -	\$ 2,385
5,490	-	-	-	-	-	94,629
80	-	-	-	-	-	14,781
<u>5,570</u>	<u>-</u>	<u>-</u>	<u>255</u>	<u>-</u>	<u>-</u>	<u>111,795</u>
-	-	-	6	-	2,585	3,533
143	-	-	-	-	386	188,398
143	-	-	6	-	2,971	191,931
<u>\$ 5,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ -</u>	<u>\$ 2,971</u>	<u>\$ 303,726</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, 2003

	Food Service	Uniform School Supplies	Public School Support	Miscellaneous Local Grant
<u>Revenues:</u>				
Intergovernmental	\$ 39,505	\$ -	\$ -	\$ -
Interest	1,728	-	-	-
Tuition and fees	-	65,227	23,224	-
Extracurricular activities	-	-	32,486	-
Gifts and donations	-	-	817	-
Customer services	600,072	-	-	-
Miscellaneous	-	-	-	71,235
Total revenues	<u>641,305</u>	<u>65,227</u>	<u>56,527</u>	<u>71,235</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	62,334	-	-
Special	-	-	-	807
Support services:				
Pupils	-	-	-	69,416
Instructional staff	-	-	-	2,600
Board of education	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	639,626	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	-	56,406	-
Total expenditures	<u>639,626</u>	<u>62,334</u>	<u>56,406</u>	<u>72,823</u>
Excess of revenues over (under) expenditures	<u>1,679</u>	<u>2,893</u>	<u>121</u>	<u>(1,588)</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,679	2,893	121	(1,588)
Fund balances at beginning of year, as restated	34,017	11,142	43,983	2,762
Fund balances at end of year	<u>\$ 35,696</u>	<u>\$ 14,035</u>	<u>\$ 44,104</u>	<u>\$ 1,174</u>

<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Teacher Development</u>	<u>Management Information Systems</u>	<u>Data Communications</u>	<u>School Net Professional Development</u>
\$ -	\$ -	\$ -	\$ -	\$ 9,798	\$ 14,000	\$ 4,600
-	-	-	-	-	-	-
75,132	-	-	-	-	-	-
16,930	-	109,107	-	-	-	-
-	-	994	-	-	-	-
-	-	-	-	-	-	-
-	-	113	-	-	-	-
<u>92,062</u>	<u>-</u>	<u>110,214</u>	<u>-</u>	<u>9,798</u>	<u>14,000</u>	<u>4,600</u>
-	-	-	-	-	-	6,790
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	10,797	28,000	-
-	-	-	-	-	-	-
91,238	-	-	-	-	-	-
-	-	116,630	-	-	-	-
<u>91,238</u>	<u>-</u>	<u>116,630</u>	<u>-</u>	<u>10,797</u>	<u>28,000</u>	<u>6,790</u>
<u>824</u>	<u>-</u>	<u>(6,416)</u>	<u>-</u>	<u>(999)</u>	<u>(14,000)</u>	<u>(2,190)</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
824	-	(6,418)	-	(999)	(14,000)	(2,190)
64,566	11,000	10,094	-	9,397	14,000	3,745
<u>\$ 65,390</u>	<u>\$ 11,000</u>	<u>\$ 3,676</u>	<u>\$ -</u>	<u>\$ 8,398</u>	<u>\$ -</u>	<u>\$ 1,555</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, 2003

	Ohio Reads	Miscellaneous State Grants	Eisenhower Professional Development	Title VI-B
<u>Revenues:</u>				
Intergovernmental	\$ 4,000	\$ -	\$ 17	\$ 235,109
Interest	-	-	-	-
Tuition and fees	-	-	-	-
Extracurricular activities	-	-	-	-
Gifts and donations	-	-	-	-
Customer services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>4,000</u>	<u>-</u>	<u>17</u>	<u>235,109</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,000	-	-	-
Special	-	3,248	-	19,791
Support services:				
Pupils	-	-	-	-
Instructional staff	-	-	1,910	115,475
Board of education	-	-	-	107,740
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	-	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	-	-	-
Total expenditures	<u>4,000</u>	<u>3,248</u>	<u>1,910</u>	<u>243,006</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(3,248)</u>	<u>(1,893)</u>	<u>(7,897)</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(3,248)	(1,893)	(7,897)
Fund balances at beginning of year, as restated	-	3,248	1,893	11,680
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,783</u>

Title I	Title V	Drug-Free Schools	EHA Preschool Grant for Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 65,304	\$ 13,839	\$ 7,458	\$ 9,564	\$ 51,800	\$ 18,265	\$ 473,259
-	-	-	-	-	-	1,728
-	-	-	-	-	-	163,583
-	-	-	-	-	-	158,523
-	-	-	-	-	-	1,811
-	-	-	-	-	-	600,072
-	-	-	-	-	-	71,348
<u>65,304</u>	<u>13,839</u>	<u>7,458</u>	<u>9,564</u>	<u>51,800</u>	<u>18,265</u>	<u>1,470,324</u>
-	11,000	6,945	-	41,800	-	132,869
67,474	-	-	4,538	-	13,712	109,570
-	-	-	5,700	-	-	75,116
-	2,839	-	-	10,000	4,186	137,010
-	-	-	-	-	-	107,740
-	-	691	-	-	-	691
-	-	-	-	-	-	38,797
-	-	-	-	-	-	639,626
-	-	-	-	-	-	91,238
-	-	-	-	-	-	173,036
<u>67,474</u>	<u>13,839</u>	<u>7,636</u>	<u>10,238</u>	<u>51,800</u>	<u>17,898</u>	<u>1,505,693</u>
<u>(2,170)</u>	<u>-</u>	<u>(178)</u>	<u>(674)</u>	<u>-</u>	<u>367</u>	<u>(35,369)</u>
-	-	-	-	-	19	19
-	-	-	-	-	-	(2)
-	-	-	-	-	19	17
(2,170)	-	(178)	(674)	-	386	(35,352)
2,313	-	178	680	-	2,585	227,283
<u>\$ 143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 2,971</u>	<u>\$ 191,931</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2003

	Permanent Improvement	SchoolNet	Total Nonmajor Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 902,054	\$ -	\$ 902,054
Receivables:			
Accounts	130	-	130
Total assets	<u>\$ 902,184</u>	<u>\$ -</u>	<u>\$ 902,184</u>
 <u>Fund equity:</u>			
Fund balance:			
Undesignated, reported in:			
Capital projects funds	<u>\$ 902,184</u>	<u>\$ -</u>	<u>\$ 902,184</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, 2003

	Permanent Improvement	SchoolNet	Total Nonmajor Capital Projects Funds
<u>Revenues:</u>			
Intergovernmental	\$ -	\$ 35,773	\$ 35,773
Rent	1,981	-	1,981
Total revenues	<u>1,981</u>	<u>35,773</u>	<u>37,754</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Support services:			
Operation and maintenance of plant	41,221	-	41,221
Central	-	35,773	35,773
Capital outlay	<u>13,875</u>	<u>-</u>	<u>13,875</u>
Total expenditures	<u>55,096</u>	<u>35,773</u>	<u>90,869</u>
Excess of revenues over (under) expenditures	<u>(53,115)</u>	<u>-</u>	<u>(53,115)</u>
<u>Other financing sources (uses):</u>			
Transfers in	<u>230,820</u>	<u>-</u>	<u>230,820</u>
Net change in fund balances	177,705	-	177,705
Fund balances at beginning of year	724,479	-	724,479
Fund balances at end of year	<u>\$ 902,184</u>	<u>\$ -</u>	<u>\$ 902,184</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2003

	Special Trust	Endowment	Total Nonmajor Permanent Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 27,304	\$ 57,674	\$ 84,978
	<u> </u>	<u> </u>	<u> </u>
<u>Fund equity:</u>			
Fund balance:			
Reserved for endowment	\$ 18,850	\$ 30,119	\$ 48,969
Unreserved:			
Undesignated, reported in:			
Permanent funds	8,454	27,555	36,009
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	\$ 27,304	\$ 57,674	\$ 84,978
	<u> </u>	<u> </u>	<u> </u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Permanent Funds
For the Fiscal Year Ended June 30, 2003

	<u>Special Trust</u>	<u>Endowment</u>	<u>Total Nonmajor Permanent Funds</u>
<u>Revenues:</u>			
Interest	\$ 656	\$ 1,677	\$ 2,333
Gifts and donations	1,585	-	1,585
Total revenues	<u>2,241</u>	<u>1,677</u>	<u>3,918</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	-	2,600	2,600
Extracurricular activities	1,000	-	1,000
Total expenditures	<u>1,000</u>	<u>2,600</u>	<u>3,600</u>
Net change in fund balances	1,241	(923)	318
Fund balances at beginning of year	26,063	58,597	84,660
Fund balances at end of year	<u>\$ 27,304</u>	<u>\$ 57,674</u>	<u>\$ 84,978</u>

Highland Local School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2003

	Beginning Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2003</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 57,773	\$ 14,010	\$ -	\$ 71,783
<u>Liabilities:</u>				
Due to students	\$ 57,773	\$ 14,010	\$ -	\$ 71,783

**Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual**

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, 2003

Debt Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 2,498,206	\$ 2,424,365	\$ (73,841)
Intergovernmental	294,416	326,880	32,464
Total revenues	<u>2,792,622</u>	<u>2,751,245</u>	<u>(41,377)</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Administration	4,000	3,697	303
Fiscal	41,125	34,589	6,536
Debt service:			
Principal retirement	40,000	40,000	-
Interest and fiscal charges	1,963,888	1,963,888	-
Total expenditures	<u>2,049,013</u>	<u>2,042,174</u>	<u>6,839</u>
Excess of revenues over (under) expenditures	<u>743,609</u>	<u>709,071</u>	<u>(34,538)</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	14	41,377	41,363
Advances out	(327,000)	(326,912)	88
Total other financing sources (uses)	<u>(326,986)</u>	<u>(285,535)</u>	<u>41,451</u>
Net change in fund balance	416,623	423,536	6,913
Fund balance at beginning of year	303,279	303,279	-
Fund balance at end of year	<u>\$ 719,902</u>	<u>\$ 726,815</u>	<u>\$ 6,913</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, 2003

	Building Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 560,422	\$ 560,906	\$ 484
Miscellaneous	10,000	9,700	(300)
Total revenues	<u>570,422</u>	<u>570,606</u>	<u>184</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Fiscal	10,000	2,500	7,500
Capital outlay	38,582,912	35,644,093	2,938,819
Total expenditures	<u>38,592,912</u>	<u>35,646,593</u>	<u>2,946,319</u>
Excess of revenues over (under) expenditures	<u>(38,022,490)</u>	<u>(35,075,987)</u>	<u>2,946,503</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	2,500	2,316	(184)
Advances in	326,912	326,912	-
Total other financing sources (uses)	<u>329,412</u>	<u>329,228</u>	<u>(184)</u>
Net change in fund balance	(37,693,078)	(34,746,759)	2,946,319
Fund balance at beginning of year	8,378,914	8,378,914	-
Prior year encumbrances appropriated	30,128,089	30,128,089	-
Fund balance at end of year	<u>\$ 813,925</u>	<u>\$ 3,760,244</u>	<u>\$ 2,946,319</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, 2003

Food Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 41,042	\$ 39,947	\$ (1,095)
Interest	1,338	1,728	390
Customer services	599,357	600,072	715
Total revenues	<u>641,737</u>	<u>641,747</u>	<u>10</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services	684,538	633,776	50,762
Excess of revenues over (under) expenditures	<u>(42,801)</u>	<u>7,971</u>	<u>50,772</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>10</u>	<u>-</u>	<u>(10)</u>
Net change in fund balance	(42,791)	7,971	50,762
Fund balance at beginning of year	60,034	60,034	-
Prior year encumbrances appropriated	63	63	-
Fund balance at end of year	<u>\$ 17,306</u>	<u>\$ 68,068</u>	<u>\$ 50,762</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, 2003

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 65,227	\$ 65,227	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	66,500	62,334	4,166
Net change in fund balance	(1,273)	2,893	4,166
Fund balance at beginning of year	11,142	11,142	-
Prior year encumbrances appropriated	1	1	-
Fund balance at end of year	<u>\$ 9,870</u>	<u>\$ 14,036</u>	<u>\$ 4,166</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, 2003

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 25,509	\$ 23,224	\$ (2,285)
Extracurricular activities	30,382	32,332	1,950
Gifts and donations	636	817	181
Total revenues	<u>56,527</u>	<u>56,373</u>	<u>(154)</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	73,225	57,020	16,205
Excess of revenues over (under) expenditures	<u>(16,698)</u>	<u>(647)</u>	<u>16,051</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>-</u>	<u>154</u>	<u>154</u>
Net change in fund balance	(16,698)	(493)	16,205
Fund balance at beginning of year	35,654	35,654	-
Prior year encumbrances appropriated	8,328	8,328	-
Fund balance at end of year	<u>\$ 27,284</u>	<u>\$ 43,489</u>	<u>\$ 16,205</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, 2003

Miscellaneous Local Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Miscellaneous	\$ 79,015	\$ 79,015	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	-	807	(807)
Support services:			
Pupils	68,835	59,031	9,804
Instructional staff	2,601	2,600	1
Total expenditures	71,436	62,438	8,998
Excess of revenues over (under) expenditures	7,579	16,577	8,998
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	-	(283)	(283)
Advances out	-	(4,818)	(4,818)
Total other financing sources (uses)	-	(5,101)	(5,101)
Net change in fund balance	7,579	11,476	3,897
Fund balance at beginning of year	(200)	(200)	-
Prior year encumbrances appropriated	200	200	-
Fund balance at end of year	\$ 7,579	\$ 11,476	\$ 3,897

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, 2003

Latchkey Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 16,938	\$ 16,930	\$ (8)
Tuition and fees	75,132	75,132	-
Total revenues	<u>92,070</u>	<u>92,062</u>	<u>(8)</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services	103,240	90,515	12,725
Net change in fund balance	(11,170)	1,547	12,717
Fund balance at beginning of year	72,919	72,919	-
Prior year encumbrances appropriated	28	28	-
Fund balance at end of year	<u>\$ 61,777</u>	<u>\$ 74,494</u>	<u>\$ 12,717</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, 2003

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 105,496	\$ 109,008	\$ 3,512
Gifts and donations	4,204	994	(3,210)
Miscellaneous	484	83	(401)
Total revenues	<u>110,184</u>	<u>110,085</u>	<u>(99)</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	129,646	126,263	3,383
Excess of revenues over (under) expenditures	<u>(19,462)</u>	<u>(16,178)</u>	<u>3,284</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	-	99	99
Transfers out	-	(2)	(2)
Total other financing sources (uses)	<u>-</u>	<u>97</u>	<u>97</u>
Net change in fund balance	(19,462)	(16,081)	3,381
Fund balance at beginning of year	11,534	11,534	-
Prior year encumbrances appropriated	7,928	7,928	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,381</u>	<u>\$ 3,381</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, 2003

Teacher Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	217	217	-
Net change in fund balance	(217)	(217)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	217	217	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Management Information Systems Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,798	\$ 9,798	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	19,195	10,797	8,398
Net change in fund balance	(9,397)	(999)	8,398
Fund balance at beginning of year	9,397	9,397	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 8,398</u>	<u>\$ 8,398</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, 2003

Data Communications Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 14,000	\$ 14,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	28,000	28,000	-
Net change in fund balance	(14,000)	(14,000)	-
Fund balance at beginning of year	14,000	14,000	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SchoolNet Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,600	\$ 4,600	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,295	6,740	1,555
Excess of revenues over (under) expenditures	(3,695)	(2,140)	1,555
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	-	(50)	(50)
Net change in fund balance	(3,695)	(2,190)	1,505
Fund balance at beginning of year	3,745	3,745	-
Fund balance at end of year	<u>\$ 50</u>	<u>\$ 1,555</u>	<u>\$ 1,505</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, 2003

Ohio Reads Fund

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

Miscellaneous State Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	3,248	3,248	-
Net change in fund balance	(3,248)	(3,248)	-
Fund balance at beginning of year	2,273	2,273	-
Prior year encumbrances appropriated	975	975	-
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, 2003

Eisenhower Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 17	\$ 17	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	1,910	1,910	-
Net change in fund balance	(1,893)	(1,893)	-
Fund balance at beginning of year	1,893	1,893	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Title VI-B Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 235,109	\$ 235,109	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	19,792	19,791	1
Support services:			
Instructional staff	131,664	107,629	24,035
Administration	115,785	106,130	9,655
Total expenditures	267,241	233,550	33,691
Net change in fund balance	(32,132)	1,559	33,691
Fund balance at beginning of year	33,571	33,571	-
Prior year encumbrances appropriated	1	1	-
Fund balance at end of year	<u>\$ 1,440</u>	<u>\$ 35,131</u>	<u>\$ 33,691</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2003

Title I Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 65,304	\$ 65,304	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	74,577	68,865	5,712
Net change in fund balance	(9,273)	(3,561)	5,712
Fund balance at beginning of year	9,274	9,274	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 5,713</u>	<u>\$ 5,712</u>

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 13,839	\$ 13,839	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,000	11,000	-
Support services:			
Instructional staff	2,839	2,839	-
Total expenditures	13,839	13,839	-
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, 2003

Drug-Free Schools Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 7,458	\$ 7,458	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,942	6,945	(3)
Pupil transportation	694	691	3
Total expenditures	7,636	7,636	-
Net change in fund balance	(178)	(178)	-
Fund balance at beginning of year	178	178	-
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	\$ 9,564	\$ 9,564	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	4,544	4,544	-
Support services:			
Pupils	5,700	5,700	-
Total expenditures	10,244	10,244	-
Net change in fund balance	(680)	(680)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	680	680	-
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, 2003

Improving Teacher Quality Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 51,800	\$ 51,800	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	41,800	41,800	-
Support services:			
Instructional staff	10,000	10,000	-
Total expenditures	51,800	51,800	-
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, 2003

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 18,265	\$ 18,265	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	16,664	16,278	386
Support services:			
Instructional staff	4,186	4,186	-
Total expenditures	20,850	20,464	386
Excess of revenues over (under) expenditures	(2,585)	(2,199)	386
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(19)	(19)	-
Transfers in	19	19	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	(2,585)	(2,199)	386
Fund balance at beginning of year	2,585	2,585	-
Fund balance at end of year	\$ -	\$ 386	\$ 386

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, 2003

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Rent	\$ 1,851	\$ 1,851	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Operation and maintenance of plant	531,683	41,221	490,462
Capital outlay	193,005	13,875	179,130
Total expenditures	724,688	55,096	669,592
Excess of revenues over (under) expenditures	(722,837)	(53,245)	669,592
<u>Other financing sources (uses):</u>			
Transfers in	230,820	230,820	-
Net change in fund balance	(492,017)	177,575	669,592
Fund balance at beginning of year	724,478	724,478	-
Prior year encumbrances appropriated	(1)	(1)	-
Fund balance at end of year	\$ 232,460	\$ 902,052	\$ 669,592

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, 2003

	SchoolNet Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 35,773	\$ 35,773	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	35,773	35,773	-
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, 2003

Special Trust Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 493	\$ 656	\$ 163
Gifts and donations	1,748	1,585	(163)
Total revenues	<u>2,241</u>	<u>2,241</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	<u>7,400</u>	<u>1,000</u>	<u>6,400</u>
Net change in fund balance	(5,159)	1,241	6,400
Fund balance at beginning of year	26,062	26,062	-
Prior year encumbrances appropriated	(1)	(1)	-
Fund balance at end of year	<u><u>\$ 20,902</u></u>	<u><u>\$ 27,302</u></u>	<u><u>\$ 6,400</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, 2003

Endowment Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 1,677	\$ 1,677	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	2,600	2,600	-
Net change in fund balance	(923)	(923)	-
Fund balance at beginning of year	58,597	58,597	-
Prior year encumbrances appropriated	(1)	(1)	-
Fund balance at end of year	<u>\$ 57,673</u>	<u>\$ 57,673</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, 2003

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ 1,630,270	\$ 1,629,780	\$ (490)
Interest	3,712	-	(3,712)
Other revenues	1,228	5,430	4,202
Total revenues	<u>1,635,210</u>	<u>1,635,210</u>	<u>-</u>
<u>Expenses:</u>			
Purchased services	304,220	316,910	(12,690)
Other	1,854,176	1,746,127	108,049
Total expenses	<u>2,158,396</u>	<u>2,063,037</u>	<u>95,359</u>
Net change in fund balance	(523,186)	(427,827)	95,359
Fund balance at beginning of year	1,687,991	1,687,991	-
Fund balance at end of year	<u>\$ 1,164,805</u>	<u>\$ 1,260,164</u>	<u>\$ 95,359</u>

STATISTICAL SECTION



Highland Local School District

General Governmental Revenues by Source and Expenditures by Function

Last Ten Fiscal Years (1)

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000
<u>Revenues:</u>				
Property and other local taxes	\$ 15,463,889	\$ 14,538,929	\$ 12,354,172	\$ 11,223,255
Intergovernmental	7,323,901	6,817,025	5,454,444	4,666,518
Interest	800,782	1,747,965	597,311	492,076
Tuition and fees	276,194	184,042	42,011	75,626
Extracurricular activities	197,212	215,505	133,692	128,882
Contributions and donations	34,694	25,217	26,312	-
Rentals	1,981	-	-	-
Charges for services	600,072	-	-	-
Miscellaneous	134,779	35,291	63,981	172,855
Total revenues	<u>\$ 24,833,504</u>	<u>\$ 23,563,974</u>	<u>\$ 18,671,923</u>	<u>\$ 16,759,212</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$ 7,833,998	\$ 7,446,830	\$ 6,900,655	\$ 6,631,821
Special	2,051,324	2,011,976	1,662,633	1,583,534
Vocational	211,230	200,031	187,423	182,228
Other	69,763	37,726	36,769	27,121
Support services:				
Pupils	900,198	791,643	682,467	632,375
Instructional staff	1,256,031	1,066,087	904,511	838,410
Board of education	18,217	21,438	17,434	13,288
Administration	1,512,600	1,386,350	1,358,748	1,251,719
Fiscal	639,893	576,577	510,379	490,630
Business	52,562	43,337	59,474	43,599
Operation and maintenance of plant	1,736,157	1,444,642	1,388,114	2,019,991
Pupil transportation	1,308,460	1,151,899	1,012,720	1,002,971
Central	189,741	162,936	143,765	134,642
Food service operations	639,626	-	-	-
Operation of community services	91,238	-	-	122
Extracurricular activities	788,751	712,490	539,987	526,941
Capital outlay	17,504,007	2,967,386	371,270	149,955
Debt service:				
Principal retirement	63,719	39,922,064	152,721	137,887
Interest and fiscal charges	1,966,521	2,116,347	9,402	11,008
Total expenditures	<u>\$ 38,834,036</u>	<u>\$ 62,059,759</u>	<u>\$ 15,938,472</u>	<u>\$ 15,678,242</u>

Source: 1994-2003 School District Audit Reports.

Note: For 1994-2002, General Government includes all governmental fund types and expendable trust fund; for 2003, General Government includes general, special revenue and capital projects funds.

(1) 1994-1995 were reported on a cash basis; 1996-2003 were reported on a GAAP basis.

Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995	Fiscal Year Ended June 30, 1994
\$ 10,043,853	\$ 9,041,436	\$ 8,435,516	\$ 8,115,953	\$ 7,795,368	\$ 7,140,832
4,752,187	4,166,741	4,284,951	4,540,713	-	-
358,319	350,176	347,174	266,325	173,079	75,079
158,087	176,871	355,390	286,036	235,734	78,504
122,745	111,345	94,816	78,454	69,942	58,723
18,307	-	-	-	-	-
880	-	-	-	-	-
-	-	-	-	-	-
119,266	118,625	29,949	30,792	46,869	10,023
<u>\$ 15,573,644</u>	<u>\$ 13,965,194</u>	<u>\$ 13,547,796</u>	<u>\$ 13,318,273</u>	<u>\$ 8,320,992</u>	<u>\$ 7,363,161</u>
\$ 6,526,825	\$ 6,077,644	\$ 5,707,087	\$ 5,405,845	\$ 4,919,088	\$ 4,549,105
1,561,221	1,475,902	1,300,891	1,215,687	1,088,014	874,031
171,863	158,581	163,814	181,080	176,354	156,166
41,533	23,278	23,696	29,064	17,753	6,173
636,563	714,424	672,101	664,306	551,869	442,107
675,836	678,152	777,892	528,043	479,198	402,695
12,271	14,900	19,713	12,083	11,261	13,387
1,290,845	1,262,690	1,233,351	1,101,231	985,932	988,419
405,446	378,076	386,746	313,572	321,997	296,635
60,813	51,382	30,227	28,277	33,999	32,279
1,275,532	1,462,949	1,266,195	1,211,117	1,494,339	1,223,126
805,837	906,518	854,209	687,974	763,416	699,849
84,531	34,356	46,620	45,056	50,198	38,125
-	-	-	-	-	-
-	1,270	-	426	4,574	-
473,288	425,364	377,187	350,573	304,040	289,779
158,147	430,507	151,150	101,238	31,730	74,263
138,820	707,372	235,459	234,898	250,573	261,127
18,861	58,859	72,111	90,140		
<u>\$ 14,338,232</u>	<u>\$ 14,862,224</u>	<u>\$ 13,318,449</u>	<u>\$ 12,200,610</u>	<u>\$ 11,484,335</u>	<u>\$ 10,347,266</u>

Highland Local School District
Property Tax Levies and Collections Real, Public Utility Tax and Tangible Personal Property (1)
Last Ten Calendar Years

Year (2)	Total Levy	Current Collections	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection as a Percent of Total Levy	Delinquent Taxes Receivable
2002	\$ 15,269,275	\$ 14,524,680	95.12%	\$ 473,574	\$ 14,998,254	98.23%	\$ 467,000
2001	14,733,328	14,053,399	95.39%	289,297	14,342,696	97.35%	390,632
2000	13,495,738	12,907,061	95.64%	334,287	13,241,348	98.12%	254,390
1999	12,515,672	11,954,285	95.51%	325,333	12,279,618	98.11%	236,054
1998	10,220,956	9,772,905	95.62%	240,411	10,013,316	97.97%	207,640
1997	9,862,623	9,406,783	95.38%	284,692	9,691,475	98.26%	171,148
1996	9,467,576	9,030,672	95.39%	325,486	9,356,158	98.82%	111,418
1995	9,068,950	8,755,693	96.55%	250,727	9,006,420	99.31%	62,530
1994	8,409,812	7,962,434	94.68%	221,161	8,183,595	97.31%	226,217
1993	7,890,707	7,432,343	94.19%	138,102	7,570,445	95.94%	320,262

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

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

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

(2) Represents collection year 2002. 2003 information cannot be presented because all collections have not been made by June 30.

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

Collection Year	Real Property (1)		Public Utility (2)		Tangible Personal Property (3)		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2003	\$ 454,235,080	\$ 1,297,814,514	\$ 12,435,380	\$ 14,131,114	\$ 20,009,825	\$ 80,039,300	\$ 486,680,285	\$ 1,391,984,928
2002	435,459,990	1,244,171,400	11,900,010	13,522,739	18,012,416	72,049,664	465,372,416	1,329,743,803
2001	350,293,050	1,000,837,286	15,936,500	18,109,659	19,629,432	78,517,728	385,858,982	1,097,464,673
2000	333,887,290	953,963,686	15,446,030	17,552,307	14,886,057	59,544,228	364,219,377	1,031,060,221
1999	317,527,910	907,222,600	16,966,630	19,280,261	12,843,740	51,374,960	347,338,280	977,877,821
1998	291,896,800	833,990,857	16,437,240	18,678,682	9,995,510	39,982,040	318,329,550	892,651,579
1997	276,276,820	789,362,343	17,684,610	20,096,148	10,677,000	42,708,000	304,638,430	852,166,491
1996	266,244,040	760,697,257	17,688,120	20,100,136	9,567,270	38,269,080	293,499,430	819,066,474
1995	199,457,968	569,879,909	19,691,670	22,376,898	8,017,625	32,070,500	227,167,263	624,327,306
1994	185,794,916	530,842,617	19,749,520	22,442,636	5,973,062	23,892,248	211,517,498	577,177,502

Source: Medina County Auditor and Summit County Fiscal Officer.

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

(1) Real estate value is assessed at 35% of actual value.

(2) Public utility personal is assessed at 88% of actual value, prior to 1991 it was assessed at 100% of actual value.

(3) Tangible personal property is assessed at 25% of actual value.

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

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
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	-	-	5.80	2.25	1.25	83.89
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
1998	Brunswick Hills	58.68	7.95	7.60	3.05	-	1.75	1.25	80.28
	Granger Twp.	58.68	7.95	2.60	3.05	-	1.75	1.25	75.28
	Hinckley Twp.	58.68	7.95	11.05	3.05	-	2.80	1.25	84.78
	Medina Twp.	58.68	7.95	5.60	3.05	-	1.75	1.25	78.28
	Montville Twp.	58.68	7.95	10.95	3.05	-	1.75	1.25	83.63
	Sharon Twp.	58.68	7.95	8.40	3.05	-	1.75	1.25	81.08
	Wadsworth City	58.68	7.95	-	3.05	5.80	1.75	1.25	78.48
1997	Brunswick Hills	59.28	7.97	7.60	3.05	-	1.75	1.25	80.90
	Granger Twp.	59.28	7.97	2.60	3.05	-	1.75	1.25	75.90
	Hinckley Twp.	59.28	7.97	11.05	3.05	-	2.80	1.25	85.40
	Medina Twp.	59.28	7.97	5.60	3.05	-	1.75	1.25	78.90
	Montville Twp.	59.28	7.97	9.45	3.05	-	1.75	1.25	82.75
	Sharon Twp.	59.28	7.97	8.40	3.05	-	1.75	1.25	81.70
	Wadsworth City	59.28	7.97	-	3.05	5.80	1.75	1.25	79.10

Highland Local School District

Property Tax Rates - Direct and Overlapping Governments

Last Ten Calendar Years

Collection Year	School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
1996	Brunswick Hills	59.28	7.98	7.60	3.05	-	1.25	80.91
	Granger Twp.	59.28	7.98	2.60	3.05	-	1.25	75.91
	Hinckley Twp.	59.28	7.98	11.05	3.05	-	1.25	85.41
	Medina Twp.	59.28	7.98	5.60	3.05	-	1.25	78.91
	Montville Twp.	59.28	7.98	10.45	3.05	-	1.25	83.76
	Sharon Twp.	59.28	7.98	8.40	3.05	-	1.25	81.71
	Wadsworth City	59.28	7.98	-	3.05	5.80	1.25	79.11
1995	Brunswick Hills	59.97	8.09	7.60	3.05	-	1.25	81.71
	Granger Twp.	59.97	8.09	2.60	3.05	-	1.25	76.71
	Hinckley Twp.	59.97	8.09	11.05	3.05	-	1.25	86.21
	Medina Twp.	59.97	8.09	5.60	3.05	-	1.25	79.71
	Montville Twp.	59.97	8.09	10.45	3.05	-	1.25	84.56
	Sharon Twp.	59.97	8.09	8.40	3.05	-	1.25	82.51
	Wadsworth City	59.97	8.09	-	3.05	5.80	1.25	79.91
1994	Brunswick Hills	58.24	8.10	7.10	3.05	-	1.25	79.49
	Granger Twp.	58.24	8.10	2.60	3.05	-	1.25	74.99
	Hinckley Twp.	58.24	8.10	11.05	3.05	-	1.25	84.49
	Medina Twp.	58.24	8.10	5.60	3.05	-	1.25	77.99
	Montville Twp.	58.24	8.10	10.45	3.05	-	1.25	82.84
	Sharon Twp.	58.24	8.10	8.40	3.05	-	1.25	80.79
	Wadsworth City	58.24	8.10	-	3.05	5.80	1.25	78.19

Source: Medina County Auditor and Summit County Fiscal Officer.

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

Highland Local School District

Computation of Legal Debt Margin

June 30, 2003

Assessed Valuation (2002)	<u>\$ 486,680,285</u>
Bonded Debt Limit - 9% of Assessed Value (1)	43,801,226
Outstanding debt:	
School Improvement Bonds	39,860,000
Less: Amount available in debt service fund	<u>-</u>
Total outstanding debt	<u>\$ 39,860,000</u>
Amount of debt applicable to debt limit	39,860,000
Voted Debt Margin	<u>\$ 3,941,226</u>
Bonded Debt Limit - .10% of Assessed Value (1)	486,680
Outstanding debt:	
School Improvement Bonds	39,860,000
Less: Amount available in debt service fund	<u>-</u>
Total outstanding debt	<u>\$ 39,860,000</u>
Less exemptions:	
School Improvement Bonds	<u>39,860,000</u>
	<u>39,860,000</u>
Amount of debt applicable to debt limit	-
Unvoted Debt Margin	<u>\$ 486,680</u>

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

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

Highland Local School District

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

<u>Collection Year</u>	<u>Net General Obligation Bonded Debt (1)</u>	<u>Assessed Value</u>	<u>Population (2)/(3)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2003	\$ 39,860,000	486,680,285	22,708	8.19%	\$1,755.33
2002	39,900,000	465,372,416	22,708	8.57%	1,757.09
2001	-	385,858,982	22,708	0.00%	-
2000	130,000	364,219,377	19,722	0.04%	6.59
1999	260,000	347,338,280	19,722	0.07%	13.18
1998	390,000	318,329,550	19,722	0.12%	19.77
1997	1,089,200	304,638,430	19,722	0.36%	55.23
1996	1,317,100	293,499,430	19,722	0.45%	66.78
1995	1,545,000	227,167,263	19,722	0.68%	78.34
1994	1,284,500	211,517,498	19,722	0.61%	65.13

Sources: U.S. Census Bureau, Medina County Auditor, Summit County Fiscal Officer and 1994-2003 School District audit reports.

(1) No debt is applicable to enterprise funds.

(2) Population data for 1994 through 2000 was assumed to be the same as the 1990 census as interim data was not available.

(3) Population data for 2001 through 2003 was assumed to be the same as the 2000 census as interim data was not available.

Highland Local School District

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Governmental Expenditures (Percentages)</u>
2003	\$ 40,000	\$ 1,963,888	\$ 2,003,888	\$ 38,834,036	5.16%
2002	39,900,000	2,112,059	42,012,059	62,059,759	67.70%
2001	130,000	3,575	133,575	15,938,472	0.84%
2000	130,000	10,725	140,725	15,678,242	0.90%
1999	130,000	17,875	147,875	14,338,232	1.03%
1998	699,200	57,219	756,419	14,862,224	5.09%
1997	227,900	69,865	297,765	13,318,449	2.24%
1996	227,900	87,332	315,232	12,200,610	2.58%
1995	183,500	67,073	250,573	11,484,335	2.18%
1994	183,500	77,627	261,127	10,347,266	2.52%
1993	183,500	96,165	279,665	9,609,896	2.91%

Sources: School District records and Audit Reports.

Highland Local School District
Demographic Statistics

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

Source: U.S. Census Bureau.

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

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

<u>Year</u>	<u>Total Assessed Values</u>	<u>Certified Bank Deposits</u>	<u>Value of New Construction</u>
2003	\$ 486,680,285	\$ 230,397,000	\$ 15,182,710
2002	465,372,416	191,217,000	17,029,810
2001	385,858,982	151,846,000	13,517,380
2000	364,219,377	129,769,000	12,789,550
1999	347,338,280	159,232,558	10,897,380
1998	318,329,550	618,560,551	13,366,420
1997	304,638,430	97,862,101	9,749,260
1996	293,499,430	873,151,487	9,334,270
1995	227,167,263	811,794,038	8,632,930
1994	211,517,498	726,886,234	7,547,130

Sources:

Total Assessed Value - Medina County Auditor and Summit County Fiscal Officer.
 Financial Institution Deposits - Cleveland Federal Reserve Board.
 Value of New Construction - Highland Local School District.

Highland Local School District
Principal Taxpayers

Top Taxpayers	Assessed Valuations				Estimated Actual Valuations				
	Real Property	Tangible Personal	Public Utility	Total	Percent of Total	Real Property	Tangible Personal	Public Utility	Total
Ohio Edison Company	\$ -	\$ -	\$ 5,380,300	\$ 5,380,300	1.16%	\$ -	\$ -	\$ 21,521,200	\$ 21,521,200
Verizon North Inc.	-	-	2,270,400	2,270,400	0.49%	-	-	9,081,600	9,081,600
SFS Stadler, Inc.	744,800	1,228,690	-	1,973,490	0.42%	2,128,000	1,396,239	-	3,524,239
A. Schulman, Inc.	-	1,686,170	-	1,686,170	0.36%	-	1,916,102	-	1,916,102
Kimball Hill Homes	1,605,960	-	-	1,605,960	0.35%	4,588,457	-	-	4,588,457
Atlantic Tool & Die Co.	-	1,210,150	-	1,210,150	0.26%	-	1,375,170	-	1,375,170
Avalon RV Center, Inc.	-	1,165,310	-	1,165,310	0.25%	-	1,324,216	-	1,324,216
Structured Management	1,151,510	-	-	1,151,510	0.25%	3,290,029	-	-	3,290,029
Wakefield Run Development Partners In Plastic	1,129,060	-	-	1,129,060	0.24%	3,225,886	-	-	3,225,886
	-	1,092,900	-	1,092,900	0.23%	-	1,241,932	-	1,241,932
Total Top Ten Taxpayers	\$ 4,631,330	\$ 6,383,220	\$ 7,650,700	\$ 18,665,250	4.01%	\$ 13,232,372	\$ 7,253,659	\$ 30,602,800	\$ 51,088,831

Total All Assessed Valuations \$ 435,459,990 \$ 18,012,416 \$ 11,900,010 \$ 465,372,416 100.00%

Source: Highland Local School District.

Highland Local School District
Computation of Direct and Overlapping Bonded Debt
June 30, 2003

	<u>Assessed Valuation</u>	<u>Net General Tax Supported Debt (1)</u>	<u>Percent Overlapping (2)</u>	<u>Amount Applicable Highland Local School District</u>
Highland Local School District	\$ 486,680,285	\$ 39,860,000	100.00%	\$ 39,860,000
Brunswick Hills Township	130,433,800	-	3.22%	-
Granger Township	133,263,519	-	96.34%	-
Hinckley Township	210,299,478	-	72.09%	-
Medina Township	290,717,485	-	57.40%	-
Montville Township	186,709,810	-	14.67%	-
Sharon Township	151,771,278	-	96.99%	-
Wadsworth City	393,230,501	-	0.23%	-
		<u>\$ 39,860,000</u>		<u>\$ 39,860,000</u>

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

(1) Includes all general obligation bonds and notes at December 31, 2002.

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

Highland Local School District

Directory of School Facilities

June 30, 2003

<u>FACILITY</u>	<u>ADDRESS</u>	<u>PRINCIPAL</u>	<u>GRADES</u>
Highland High School	3880 Ridge Road Medina, OH 44256	Mr. Joe Wise	9-12
Highland Middle School	3940 Ridge Road Medina, OH 44256	Ms. Stacie Rastok	6-8
Hinckley Elementary School	1586 Center Road Hinckley, OH 44233	Mr. Robert Hummel	K-5
Sharon Elementary School	6335 Ridge Road P.O. Box 179 Sharon Center, OH 44274	Mrs. Constance Marzullo	K-5

Source: Highland Local School District records.

Highland Local School District

Miscellaneous Statistics

Last Ten Fiscal Years (1)

	<u>Fiscal Year Ended June 30, 2002</u>	<u>Fiscal Year Ended June 30, 2001</u>	<u>Fiscal Year Ended June 30, 2000</u>	<u>Fiscal Year Ended June 30, 1999</u>
Fall Enrollment	2,494	2,421	2,396	2,380
Average Teacher Salary	\$ 43,807	42,350	41,545	39,976
Pupil Attendance Rate	95.90	95.50	95.50	96.30
Graduation Rate	96.60%	94.10	93.80	93.10
Average Number of Students Per Teacher	18.61	20.20	20.50	20.60
Teacher Attendance Rate	95.50%	95.30	96.00	95.80
Annual Spending Per Pupil	\$ 6,971	6,588	6,940	6,174

Sources: Ohio Department of Education and School District records.

(1) Information not available for 2003.

<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>	<u>Fiscal Year Ended June 30, 1996</u>	<u>Fiscal Year Ended June 30, 1995</u>	<u>Fiscal Year Ended June 30, 1994</u>	<u>Fiscal Year Ended June 30, 1993</u>
2,340	2,223	2,197	2,111	2,075	2,002
47,468	46,317	44,020	39,881	37,505	35,756
96.31	95.86	95.97	95.60	95.86	95.79
93.14	86.59	90.73	95.74	90.20	91.50
22.60	24.30	24.50	22.40	22.90	22.20
96.32	96.35	96.72	97.06	97.06	97.24
6,186	5,551	5,245	5,051	4,841	4,823



**Auditor of State
Betty Montgomery**

88 East Broad Street
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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
MARCH 9, 2004**