



**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2004**



**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
3380 Ridge Road
Medina, Ohio 44256

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Highland Local School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2004, in which we noted the District restated its net assets. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated December 17, 2004.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Education, 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

December 17, 2004

HIGHLAND LOCAL SCHOOL DISTRICT

MEDINA, OHIO



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

Highland Local School District

Medina, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

<p>Prepared By: Mary M. Markle, Treasurer and Treasurer's Office Staff</p>
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Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2004

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INTRODUCTORY SECTION



Highland Local Schools

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

December 17, 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, 2004, 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 2003-2004 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 2003.

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

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

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

DESCRIPTION OF THE SCHOOL DISTRICT

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

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

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

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

As of June 30, 2004, the School District had 2,785 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 2,785 students in the School District attended the Medina County Career Center during the 2003-2004 school year.

Following a period of decline in the mid 1980's, the enrollment in the School District, as of the June 2004 count, has grown more than 50 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, Nancy Wingenbach, President, Trent Smith, Vice President, Ruth Abboud, Robert Kelly and Robert Senkar. Combined, these individuals have served the Highland Local School District for 37 years.

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

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

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

REPORTING ENTITY

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

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

FINANCIAL INFORMATION

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

The School District has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – State and Local Governments.” Since this is the School District’s second year preparing financial statements in accordance with this new standard, comparative financial data is present in the Management’s Discussion and Analysis (MD&A). This discussion follows the Independent Accountants’ Report, providing an assessment of the School District’s finances for fiscal year 2004. In addition to the current year’s financial data this discussion provides comparative balances and activity for the current and previous fiscal year. Users of these financial statements may wish to read the MD&A before the financial statements or note disclosures.

ECONOMIC CONDITION AND FUTURE OUTLOOK

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

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

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

OTHER INFORMATION

Independent Audit

Provisions of State statute require the School District’s financial statements to be subjected to a biannual examination by The Auditor of State unless an annual Single Audit is required. The Ohio Auditor of State performed the audit for the year ended June 30, 2004. 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, 2003. The School District has submitted this report for consideration to the GFOA. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Additional Information

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

Acknowledgments

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

I would also extend my appreciation to the members of the Highland Board of Education for their leadership, commitment to excellence and support. It is with great pride that the Highland Local School District presents the 2004 Comprehensive Annual Financial Report to the citizens and taxpayers of the School District.

Respectfully Submitted,

A handwritten signature in black ink that reads "Mary M. Markle". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Mary M. Markle
Treasurer

Highland Local School District
Public Officials Roster
For the Fiscal Year Ended June 30, 2004

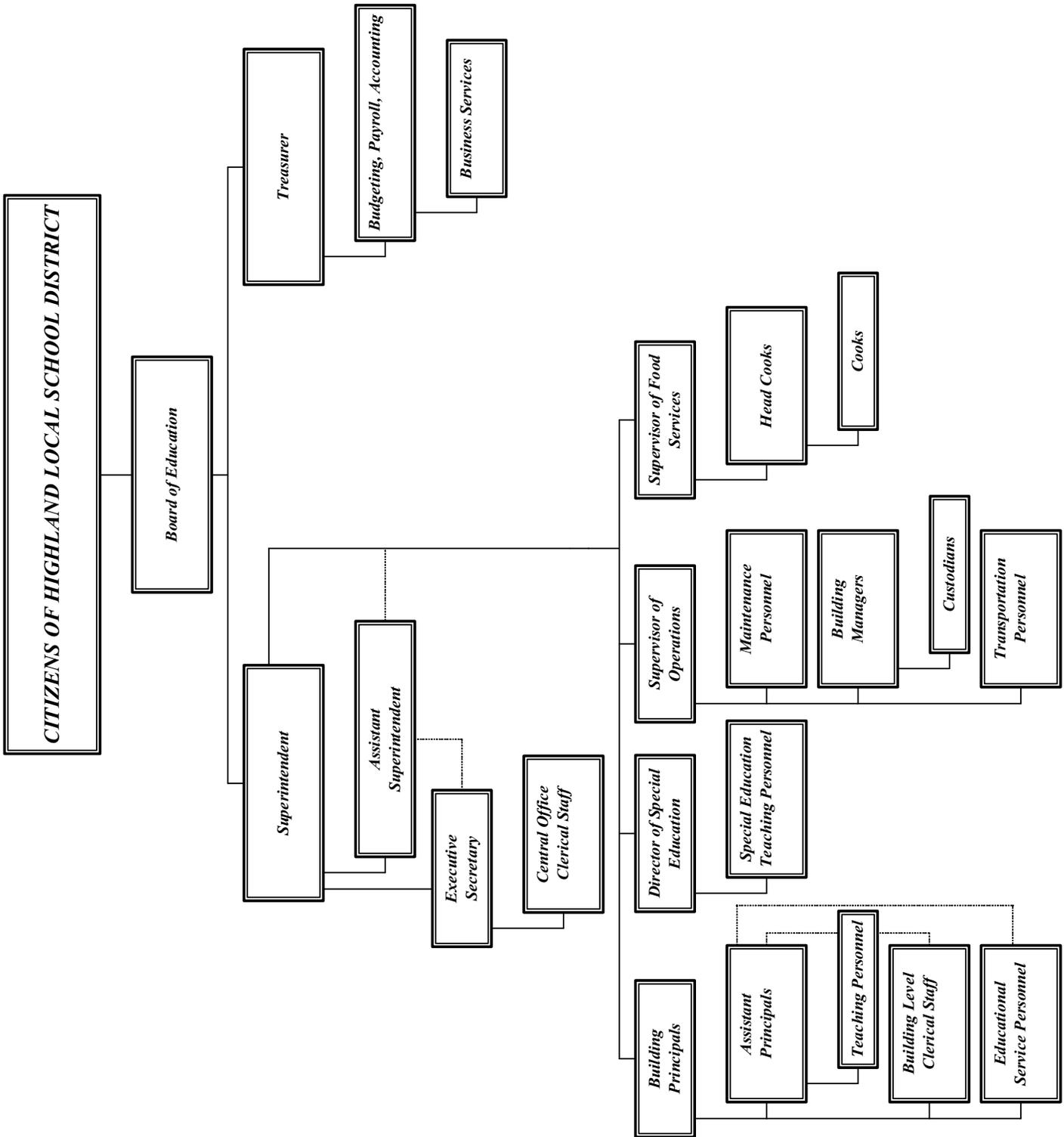
Board of Education

Nancy Wingenbach, Ph. D.	Board Member, President
Trent Smith	Board Member, Vice-President
Robert Senkar	Board Member
Robert Kelly	Board Member
Ruth Abboud	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
Dr. John Deuber	Highland Middle School Principal
Daryl Kubulis	Highland Middle School Assistant Principal
Stacie Rastok	Hinckley Elementary School Principal
Constance Marzullo	Sharon Elementary School Principal
Evelyn Makarek	Food Service Coordinator
Roger Saffle	Supervisor of Technological Services

**Highland Local School District
Organizational Chart**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Highland Local School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



Nancy L. Zjelle

President

Jeffrey R. Emmer

Executive Director

FINANCIAL SECTION



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Highland Local School District
Medina County
3380 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, 2004, 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.

As further described in Note 3, to the basic financial statements, the District restated its net assets to account for certain capital assets which were omitted from the prior year. In addition, the District reclassified a fund reported as a permanent fund in the prior year to a private purpose trust fund.

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 the Highland Local School District, Medina County, Ohio, as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 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 nonmajor 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 nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

December 17, 2004

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This discussion and analysis of Highland Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased \$853,763, representing a 3.2 percent increase from 2003.
- General revenues accounted for \$23,158,381 in revenue or 92.3 percent of all revenues. Program revenues in the form of charges for services, operating and capital grants, contributions and interest accounted for \$1,937,660 or 7.7 percent of total revenues of \$25,096,041.
- The School District had \$24,242,278 in expenses related to governmental activities; only \$1,937,660 of these expenses was offset by program specific revenues. General revenues of \$23,158,381 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 \$19,958,153, a decrease of \$16,661,538 from the prior fiscal year. The decrease was due largely to more than \$18 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, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, 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, 2004
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2003 and 2004:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<u>Assets:</u>		
<i>Current and other assets</i>	\$ 41,044,894	\$ 58,544,824
<i>Capital assets, net of depreciation</i>	<u>46,553,281</u>	<u>28,906,291</u>
<i>Total assets</i>	<u>87,598,175</u>	<u>87,451,115</u>
<u>Liabilities:</u>		
<i>Current and other liabilities</i>	20,024,694	20,521,143
<i>Long-term liabilities</i>	<u>40,144,671</u>	<u>40,668,936</u>
<i>Total liabilities</i>	<u>60,169,365</u>	<u>61,190,079</u>
<u>Net Assets:</u>		
<i>Invested in capital assets, net of related debt</i>	7,301,012	11,127,443
<i>Restricted</i>	6,029,282	1,891,808
<i>Unrestricted</i>	<u>14,098,516</u>	<u>13,555,796</u>
<i>Total net assets</i>	<u>\$ 27,428,810</u>	<u>\$ 26,575,047</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the School District's assets exceeded liabilities by \$27,428,810.

Invested in capital assets, net of related debt reported on the government-wide statements represent the second largest portion of the School District's net assets for fiscal year 2004. Capital assets include land, construction in progress, land improvements, buildings, furniture, fixtures, and equipment, and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$6,029,282 or 22.0 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1,021,635, or 16.9 percent, is restricted for debt service payments; \$4,825,593, or 80.0 percent, is restricted for capital projects; and a small amount, \$182,054, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$14,098,516 may be used to meet the government's ongoing obligations to students and staff.

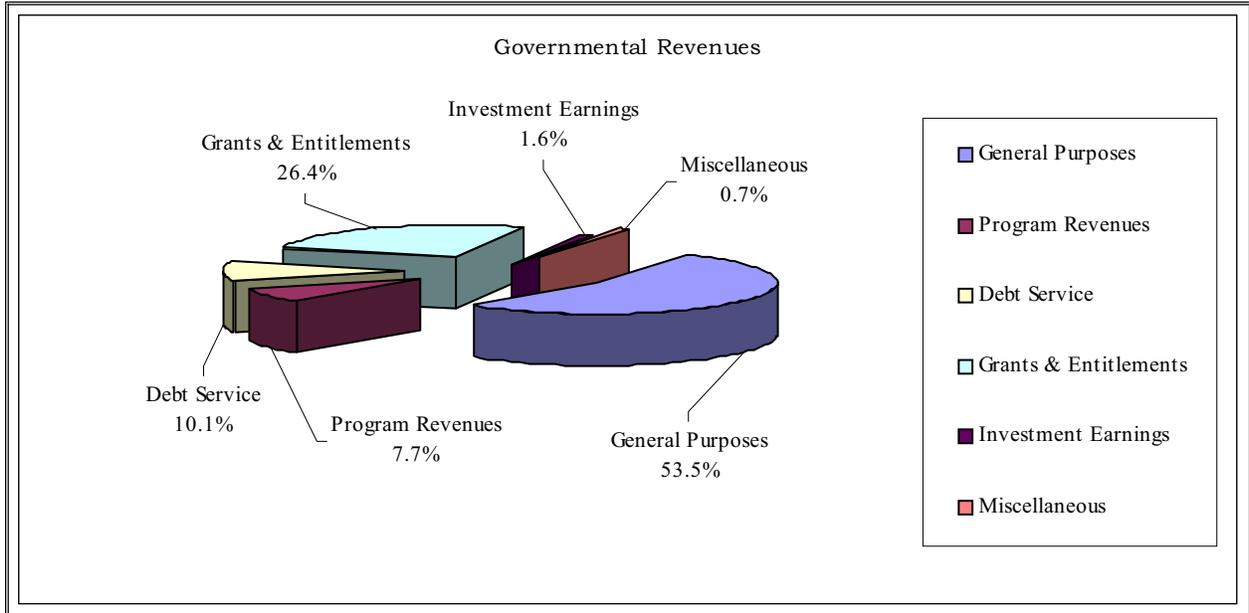
Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows change in net assets for fiscal years 2003 and 2004.

Table 2
Change in Net Assets

	<i>Governmental Activities</i>	
	<u>2004</u>	<u>2003</u>
<u>Revenues:</u>		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 1,241,414	\$ 1,073,478
<i>Operating grants, contributions and interest</i>	677,753	601,975
<i>Capital grants and contributions</i>	18,493	89,869
<i>General revenues:</i>		
<i>Property taxes</i>	15,983,564	15,440,126
<i>Grants and entitlements</i>	6,615,473	6,724,999
<i>Investment earnings</i>	392,812	796,721
<i>Miscellaneous</i>	166,532	342,303
<i>Total revenues</i>	<u>25,096,041</u>	<u>25,069,471</u>
<u>Program Expenses:</u>		
<i>Instruction:</i>		
<i>Regular</i>	9,372,735	8,301,672
<i>Special</i>	2,189,792	2,019,730
<i>Vocational</i>	237,639	221,771
<i>Other</i>	31,364	69,763
<i>Support services:</i>		
<i>Pupils</i>	996,550	933,363
<i>Instructional staff</i>	1,402,428	1,339,268
<i>Board of education</i>	19,977	18,217
<i>Administration</i>	1,746,937	1,536,965
<i>Fiscal</i>	734,167	652,819
<i>Business</i>	50,876	53,637
<i>Operation and maintenance of plant</i>	2,316,223	1,511,088
<i>Pupil transportation</i>	1,367,189	1,466,258
<i>Central</i>	131,127	191,871
<i>Food service operations</i>	741,795	693,490
<i>Operation of community services</i>	93,682	95,703
<i>Extracurricular activities</i>	852,001	830,425
<i>Interest and fiscal charges</i>	1,957,796	1,966,421
<i>Total expenses</i>	<u>24,242,278</u>	<u>21,902,461</u>
<i>Increase in net assets</i>	853,763	3,167,010
<i>Net assets beginning of year</i>	<u>26,575,047</u>	<u>23,408,037</u>
<i>Net assets end of year</i>	<u>\$ 27,428,810</u>	<u>\$ 26,575,047</u>

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited



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 \$15.9 million in 2004. General revenues from grants and entitlements, such as the school foundation program, generated over \$6.6 million. With the combination of taxes and intergovernmental funding comprising approximately 90 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

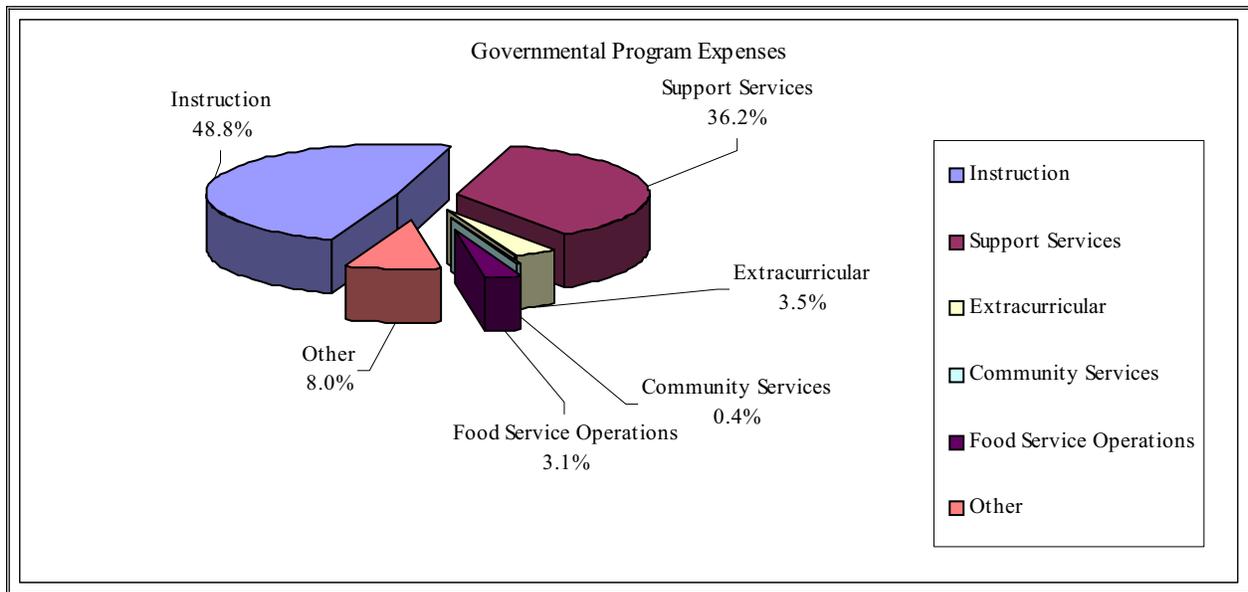
Costs directly related to the instruction of students comprised 48.8 percent of governmental program expenses.

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 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Highland Local School District
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Unaudited

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2004</u></i>	<i>Total Cost of Services <u>2003</u></i>	<i>Net Cost of Services <u>2004</u></i>	<i>Net Cost of Services <u>2003</u></i>
<u>Program Expenses:</u>				
<i>Instruction:</i>				
Regular	\$ 9,372,735	\$ 8,301,672	\$ (9,134,288)	\$ (8,094,763)
Special	2,189,792	2,019,730	(1,949,759)	(1,878,157)
Vocational	237,639	221,771	(237,639)	(221,771)
Other	31,364	69,763	(31,364)	(69,763)
<i>Support services:</i>				
Pupils	996,550	933,363	(929,533)	(863,974)
Instructional staff	1,402,428	1,339,268	(1,230,443)	(1,215,631)
Board of education	19,977	18,217	(19,977)	(18,217)
Administration	1,746,937	1,536,965	(1,626,878)	(1,420,130)
Fiscal	734,167	652,819	(718,071)	(652,819)
Business	50,876	53,637	(50,876)	(53,637)
Operation and maintenance of plant	2,316,223	1,511,088	(2,316,223)	(1,511,088)
Pupil transportation	1,367,189	1,466,258	(1,348,696)	(1,376,389)
Central	131,127	191,871	(109,213)	(132,300)
Food service operations	741,795	693,490	(25,903)	(35,751)
Operation of community services	93,682	95,703	14,141	(3,641)
Extracurricular activities	852,001	830,425	(632,100)	(621,933)
Interest and fiscal charges	1,957,796	1,966,421	(1,957,796)	(1,966,421)
Total	\$ 24,242,278	\$ 21,902,461	\$ (22,304,618)	\$ (20,136,385)



Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$25,168,498 and total expenditures and other financing uses were \$41,830,036. Although the total net change in fund balance across all governmental funds was a decrease of \$16,661,538, 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 \$4,011,876 of fund balance reserved for encumbrances. These encumbrances represent the estimated unspent commitments on construction contracts. See note 13 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 \$1,005,012, or 7.9%. Taxes receivable in the general fund are \$14.7 million or a decrease of .97 percent from the prior year amount \$14.8 million. Net changes across all other nonmajor governmental funds amounted to a \$(66,791), or 5.0%, decrease.

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 2004, 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 \$20,284,178, which was slightly lower than the original budget estimate of \$21,064,421. Most of this \$780,243 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 \$20,544,407 was revised slightly over the fiscal year. Actual expenditures and other financing uses, however, were only \$20,637,522, \$93,115 more 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, 2004
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$46,553,281 invested in capital assets. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003:

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

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 4,255,089	\$ 4,254,885
Land improvements	275,539	294,118
Buildings	4,065,817	3,831,925
Furniture, fixtures and equipment	1,416,499	1,417,777
Vehicles	1,156,977	1,079,025
Construction in progress	<u>35,383,360</u>	<u>18,342,572</u>
Total capital assets	<u>\$ 46,553,281</u>	<u>\$ 29,220,302</u>

Construction in progress increased significantly from the prior year due in large part to the construction of the new high school building. There were significant increases in all asset classes except land and land improvements. The additions in these asset classes were greater than the year's offsetting depreciation. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2004 the School District had \$39,145,000 in bonds outstanding with \$805,000 due within one year. This balance reflected a reduction of \$715,000 from the previous year's balance of \$39,860,000. Table 5 summarizes the bonds outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
	<u>2004</u>	<u>2003</u>
School improvement bonds	\$ 39,145,000	\$ 39,860,000

During the 2002 fiscal year, the School District issued \$39,900,000 in bonds, the proceeds of which were used to finance the constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. At June 30, 2004, the School District's overall legal debt margin was \$5,454,866 with an unvoted debt margin of \$507,597. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 14, to the basic financial statements for details on the School District's debt.

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Current Issues Affecting Financial Condition

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

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. See Note 17 to the basic financial statements for more on this contingent matter.

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

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

Contacting the School District's Financial Management

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

Highland Local School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 22,302,969
Cash and cash equivalents:	
In segregated accounts	922,770
With fiscal agents	29,537
Receivables:	
Taxes	17,457,992
Accounts	164,039
Intergovernmental	76,228
Accrued interest	30,551
Prepaid items	40,408
Inventory held for resale	18,451
Materials and supplies inventory	1,949
Capital assets:	
Land and construction in progress	39,638,449
Depreciable capital assets, net	6,914,832
Total assets	<u>87,598,175</u>
<u>Liabilities:</u>	
Accounts payable	67,197
Contracts payable	1,166,054
Accrued wages	1,934,754
Compensated absences payable	7,894
Intergovernmental payable	585,660
Accrued interest payable	161,820
Matured interest payable	4,537
Matured bonds payable	25,000
Claims payable	242,744
Deferred revenue	15,829,034
Long-term liabilities:	
Due within one year	945,904
Due in more than one year	39,198,767
Total liabilities	<u>60,169,365</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	7,301,012
Restricted for:	
Capital projects	4,825,593
Debt service	1,021,635
Other purposes	182,054
Unrestricted	14,098,516
Total net assets	<u>\$ 27,428,810</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 9,372,735	\$ 159,988	\$ 78,459	\$ -	\$ (9,134,288)
Special	2,189,792	113,603	126,430	-	(1,949,759)
Vocational	237,639	-	-	-	(237,639)
Other	31,364	-	-	-	(31,364)
Support services:					
Pupils	996,550	-	67,017	-	(929,533)
Instructional staff	1,402,428	-	171,985	-	(1,230,443)
Board of education	19,977	-	-	-	(19,977)
Administration	1,746,937	-	120,059	-	(1,626,878)
Fiscal	734,167	-	16,096	-	(718,071)
Business	50,876	-	-	-	(50,876)
Operation and maintenance of plant	2,316,223	-	-	-	(2,316,223)
Pupil transportation	1,367,189	-	-	18,493	(1,348,696)
Central	131,127	-	21,914	-	(109,213)
Operation of non-instructional services:					
Food service operations	741,795	653,412	62,480	-	(25,903)
Community services	93,682	95,823	12,000	-	14,141
Extracurricular activities	852,001	218,588	1,313	-	(632,100)
Interest and fiscal charges	1,957,796	-	-	-	(1,957,796)
Total governmental activities	\$ 24,242,278	\$ 1,241,414	\$ 677,753	\$ 18,493	(22,304,618)
<u>General Revenues:</u>					
Property taxes levied for:					
General purposes					13,436,487
Debt service					2,547,077
Grants and entitlements not restricted to specific programs					6,615,473
Investment earnings					392,812
Miscellaneous					166,532
Total general revenues					23,158,381
Change in net assets					853,763
Net assets beginning of year, as restated					26,575,047
Net assets end of year					\$ 27,428,810

See accompanying notes to the basic financial statements.

Highland Local School District

Balance Sheet

Governmental Funds

June 30, 2004

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 14,907,544	\$ 917,008	\$ 4,383,016	\$ 1,172,971	\$ 21,380,539
Cash and cash equivalents:					
In segregated accounts	-	-	804,552	-	804,552
With fiscal agents	-	29,537	-	-	29,537
Receivables:					
Taxes	14,664,473	2,793,519	-	-	17,457,992
Accounts	162,477	72	-	-	162,549
Intergovernmental	-	-	-	76,228	76,228
Interfund	66,712	-	-	-	66,712
Accrued interest	30,551	-	-	-	30,551
Inventory held for resale	-	-	-	18,451	18,451
Materials and supplies inventory	-	-	-	1,949	1,949
Prepaid items	40,408	-	-	-	40,408
Total assets	<u>\$ 29,872,165</u>	<u>\$ 3,740,136</u>	<u>\$ 5,187,568</u>	<u>\$ 1,269,599</u>	<u>\$ 40,069,468</u>
<u>Liabilities:</u>					
Accounts payable	\$ 47,148	\$ -	\$ -	\$ 20,049	\$ 67,197
Accrued wages	1,822,093	-	-	112,661	1,934,754
Interfund payable	-	-	-	66,712	66,712
Intergovernmental payable	350,604	-	-	15,549	366,153
Contracts payable	-	-	1,166,054	-	1,166,054
Compensated absences payable	7,894	-	-	-	7,894
Matured bonds payable	-	25,000	-	-	25,000
Matured interest payable	-	4,537	-	-	4,537
Deferred revenue	13,846,281	2,626,733	-	-	16,473,014
Total liabilities	<u>16,074,020</u>	<u>2,656,270</u>	<u>1,166,054</u>	<u>214,971</u>	<u>20,111,315</u>
<u>Fund balances:</u>					
Reserved for:					
Encumbrances	1,399,594	-	4,011,876	687,000	6,098,470
Endowments	-	-	-	8,000	8,000
Unreserved, undesignated, reported in:					
General fund	12,398,551	-	-	-	12,398,551
Special revenue funds	-	-	-	210,152	210,152
Debt service fund	-	1,083,866	-	-	1,083,866
Capital projects funds	-	-	9,638	149,476	159,114
Total fund balances	<u>13,798,145</u>	<u>1,083,866</u>	<u>4,021,514</u>	<u>1,054,628</u>	<u>19,958,153</u>
Total liabilities and fund balances	<u>\$ 29,872,165</u>	<u>\$ 3,740,136</u>	<u>\$ 5,187,568</u>	<u>\$ 1,269,599</u>	<u>\$ 40,069,468</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, 2004

Total governmental fund balances		\$ 19,958,153
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.		46,553,281
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes		643,980
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.		799,394
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.		(219,507)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (39,145,000)	
Compensated absences	(892,402)	
Capital leases	(107,269)	
Accrued interest payable	(161,820)	
Total	<u>(40,306,491)</u>	<u>(40,306,491)</u>
Net assets of governmental activities		<u>\$ 27,428,810</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, 2004

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Taxes	\$ 13,396,142	\$ 2,539,210	\$ -	\$ -	\$ 15,935,352
Intergovernmental	6,292,499	341,468	-	628,737	7,262,704
Interest	210,094	-	182,718	590	393,402
Tuition and fees	191,833	-	-	185,521	377,354
Extracurricular activities	44,976	-	-	165,342	210,318
Gifts and donations	8,925	-	-	1,050	9,975
Charges for services	100	-	-	653,413	653,513
Rent	450	-	-	1,545	1,995
Miscellaneous	151,946	-	3,665	230	155,841
Total revenues	<u>20,296,965</u>	<u>2,880,678</u>	<u>186,383</u>	<u>1,636,428</u>	<u>25,000,454</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	8,422,778	-	-	154,851	8,577,629
Special	2,044,356	-	-	108,613	2,152,969
Vocational	228,428	-	-	-	228,428
Other	31,364	-	-	-	31,364
Support services:					
Pupils	887,230	-	-	70,095	957,325
Instructional staff	1,162,727	-	-	166,831	1,329,558
Board of education	19,977	-	-	-	19,977
Administration	1,590,212	6,242	-	115,031	1,711,485
Fiscal	670,737	37,703	-	-	708,440
Business	49,801	-	-	-	49,801
Operation and maintenance of plant	1,920,004	-	162,228	62,046	2,144,278
Pupil transportation	1,164,618	-	-	693	1,165,311
Central	97,876	-	-	29,595	127,471
Operation of non-instructional services:					
Food service operations	-	-	-	701,968	701,968
Community services	-	-	-	97,207	97,207
Extracurricular activities	649,189	-	-	158,685	807,874
Capital outlay	469,176	-	17,793,084	37,604	18,299,864
Debt service:					
Principal retirement	44,504	715,000	-	-	759,504
Interest and fiscal charges	7,020	1,952,563	-	-	1,959,583
Total expenditures	<u>19,459,997</u>	<u>2,711,508</u>	<u>17,955,312</u>	<u>1,703,219</u>	<u>41,830,036</u>
Excess of revenues over (under) expenditures	<u>836,968</u>	<u>169,170</u>	<u>(17,768,929)</u>	<u>(66,791)</u>	<u>(16,829,582)</u>
<u>Other financing sources (uses):</u>					
Proceeds from sale of capital assets	39,573	-	-	-	39,573
Inception of capital lease	128,471	-	-	-	128,471
Total other financing sources (uses)	<u>168,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,044</u>
Net change in fund balances	1,005,012	169,170	(17,768,929)	(66,791)	(16,661,538)
Fund balances beginning of year, as restated	12,793,133	914,696	21,790,443	1,121,419	36,619,691
Fund balances end of year	<u>\$ 13,798,145</u>	<u>\$ 1,083,866</u>	<u>\$ 4,021,514</u>	<u>\$ 1,054,628</u>	<u>\$ 19,958,153</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, 2004**

Net change in fund balances - total governmental funds \$ (16,661,538)

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	\$ 18,327,960	
Depreciation expense	<u>(788,281)</u>	
Excess of capital asset additions over depreciation expense		17,539,679

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. (206,700)

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	\$ 48,211	
Net change in deferred revenues during the year		48,211

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. 759,504

Some capital additions were financed through capital leases. In governmental funds, a capital
lease arrangement is considered a source of financing, but in the statements of net assets,
the lease obligation is reported as a liability. (128,471)

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

Increase in compensated absences	\$ (106,768)	
Increase in pension obligation	(45,453)	
Decrease in accrued interest	<u>1,787</u>	
Total additional expenditures		(150,434)

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. (346,488)

Change in net assets of governmental activities \$ 853,763

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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 14,043,300	\$ 13,509,130	\$ 13,509,130	\$ -
Intergovernmental	6,321,545	6,292,499	6,292,499	-
Interest	390,000	190,930	190,930	-
Tuition and fees	221,200	173,834	173,834	-
Extracurricular activities	45,000	44,976	44,976	-
Gifts and donations	10,000	8,925	8,925	-
Charges for services	-	100	100	-
Rent	1,000	450	450	-
Miscellaneous	32,000	24,369	24,369	-
Total revenues	21,064,045	20,245,213	20,245,213	-
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,488,853	8,422,333	8,449,205	(26,872)
Special	2,058,822	2,095,097	2,035,667	59,430
Vocational	223,961	228,961	226,781	2,180
Other	74,619	74,619	31,864	42,755
Support services:				
Pupils	888,674	895,174	881,294	13,880
Instructional staff	1,122,707	1,118,537	1,151,620	(33,083)
Board of education	20,728	20,728	20,022	706
Administration	1,483,675	1,595,517	1,602,033	(6,516)
Fiscal	645,561	646,811	664,439	(17,628)
Business	51,818	60,615	54,838	5,777
Operation and maintenance of plant	1,821,306	1,965,039	2,069,420	(104,381)
Pupil transportation	1,523,061	1,480,380	1,449,787	30,593
Central	132,722	132,722	101,993	30,729
Extracurricular activities	640,424	642,424	646,568	(4,144)
Capital outlay	1,317,450	1,287,450	1,185,279	102,171
Total expenditures	20,494,381	20,666,407	20,570,810	95,597
Excess of revenues over (under) expenditures	569,664	(421,194)	(325,597)	95,597
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	30,205	30,205	-
Refund of prior year expenditures	376	8,760	8,760	-
Advances out	-	(66,712)	(66,712)	-
Transfers out	(50,026)	-	-	-
Total other financing sources (uses)	(49,650)	(27,747)	(27,747)	-
Net change in fund balance	520,014	(448,941)	(353,344)	95,597
Fund balance at beginning of year	13,612,431	13,612,431	13,612,431	-
Prior year encumbrances appropriated	230,618	230,618	230,618	-
Fund balance at end of year	\$ 14,363,063	\$ 13,394,108	\$ 13,489,705	\$ 95,597

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 922,430
Cash and cash equivalents:	
In segregated accounts	118,218
Accounts receivable	1,490
Total assets	<u>1,042,138</u>
<u>Liabilities:</u>	
Claims payable	<u>242,744</u>
<u>Net assets:</u>	
Unrestricted	<u>799,394</u>
Total liabilities and net assets	<u>\$ 1,042,138</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, 2004

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	\$ 2,015,196
Other revenues	80,163
Total operating revenues	<u>2,095,359</u>
 <u>Operating expenses:</u>	
Purchased services	383,412
Claims	2,058,435
Total operating expenses	<u>2,441,847</u>
 Operating loss	 (346,488)
 Net assets beginning of year	 <u>1,145,882</u>
Net assets end of year	<u>\$ 799,394</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, 2004

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 73,578
Cash received for charges for services	2,062,521
Cash payments to suppliers for goods and services	(383,412)
Cash payments for claims	(1,972,203)
Net cash used for operating activities	<u>(219,516)</u>
Net decrease in cash and cash equivalents	(219,516)
Cash and cash equivalents at beginning of year	1,260,164
Cash and cash equivalents at end of year	<u>\$ 1,040,648</u>
 <u>Reconciliation of operating loss to net cash used for operating activities:</u>	
Operating loss	<u>\$ (346,488)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	40,740
Increase (decrease) in liabilities:	
Claims payable	86,232
Net cash used for operating activities	<u>\$ (219,516)</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trusts	
	Endowment	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 65,670	\$ 75,844
<u>Liabilities:</u>		
Due to students	-	\$ 75,844
<u>Net assets:</u>		
Held in trust for scholarships	65,670	
Total net assets	\$ 65,670	

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust
	<u>Endowment</u>
<u>Additions:</u>	
Interest	\$ 596
Gift and donations	<u>10,000</u>
Total additions	<u>10,596</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>2,600</u>
Change in net assets	7,996
Net assets beginning of year, as restated	<u>57,674</u>
Net assets end of year	<u><u>\$ 65,670</u></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, 2004

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 138 non-certificated employees and 173 certificated teaching and support personnel, including 10 administrators that provide services to 2,785 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, 2004.

The School District is associated with the Lake Erie Educational Computer Association (LEECA), which is defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding LEECA is presented in Note 16.

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 provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 of governmental activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Revenue - Exchange and Non-exchange Transactions

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

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, but which were levied to finance fiscal year 2005 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 in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

D. Budgets and Budgetary Accounting

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

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004. 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, 2004

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, U.S. Government backed securities, certificates of deposit and interest in Star Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as indicated in Note 5.

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

The School District invested funds in STAR Ohio during fiscal year 2004. 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, 2004.

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, 2004, 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, 2004

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 previous fiscal year. See Note 18 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, 2004

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. Net assets restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education with the School District.

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

M. Operating Revenues and Expenses

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

N. Interfund Transactions

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

O. Estimates

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 - RESTATEMENT OF PRIOR YEAR FUND BALANCE/NET ASSETS

The beginning balance of construction in progress was restated by \$314,011 to account for prior year additions that were not recorded. Due to this restatement prior year net assets were increased by \$314,011. Also, the beginning balance for land was restated by \$358,996 and land improvements by (\$358,996) to properly classify land acquired by the School District. This correction of land had no effect on prior year net assets.

In addition, a fund reported as a permanent fund in the prior year was reclassified as a private purpose trust fund. The reclassification required a restatement of beginning fund balance and net assets.

The restatements are summarized below:

	<i>Net Assets</i>	<i>Nonmajor Governmental Funds</i>	<i>Private Purpose Trust Fund</i>
<i>Balance, June 30, 2003</i>	<u>\$ 26,318,710</u>	<u>\$ 1,179,093</u>	<u>\$ -</u>
<i>Restatement of construction in progress</i>	314,011	-	-
<i>Reclassification of fund</i>	-	(57,674)	57,674
<i>Restated balance, July 1, 2003</i>	<u>\$ 26,632,721</u>	<u>\$ 1,121,419</u>	<u>\$ 57,674</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, 2004

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>	\$ 1,005,012
<i>Revenue Accruals</i>	(180,831)
<i>Expenditure Accruals</i>	247,202
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(1,424,727)</u>
<i>Budget Basis</i>	<u><u>\$ (353,344)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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, 2004

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 \$12,021,245, and the bank balances of the deposits totaled \$12,703,787. The School District also had \$5,770 in petty cash at June 30, 2004. Of the bank balance:

1. \$329,537 was covered by federal depository insurance; and
2. \$12,374,250 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, 2004

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
U.S. Government Backed Securities	\$ 9,906,845	\$ 9,899,957
Repurchase Agreements	<u>530,000</u>	530,000
Total Categorized	<u>10,436,845</u>	
<u>Noncategorized Investments</u>		
State Treasurer's Pool		<u>939,818</u>
Total Investments		<u>\$ 11,369,775</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.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the Scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$210,094, which includes \$28,676 assigned from other School District funds.

NOTE 6 - PROPERTY TAX

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

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

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

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 \$818,192 in the general fund and \$166,786 in the debt service fund, and is recognized as revenue on the fund financial statements.

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

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

<i>Property Category</i>	<i>2003 Assessed Value</i>	<i>2002 Assessed Value</i>
<i>Real Property</i>		
<i>Residential and agricultural</i>	\$ 445,909,650	\$ 423,787,780
<i>Commercial, industrial and minerals</i>	31,782,460	30,441,780
<i>Public utilities</i>	6,070	5,520
<i>Tangible Personal Property</i>		
<i>General</i>	17,197,552	20,009,825
<i>Public utilities</i>	12,701,290	12,435,380
<i>Total</i>	<u>\$ 507,597,022</u>	<u>\$ 486,680,285</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. The general fund accounts receivable at year-end consisted of excess cost, insurance proceeds and other miscellaneous reimbursements of \$162,477. Also, several special revenue funds recorded an intergovernmental receivable for federal grants and reimbursements in the amount of \$76,228.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 8 - CAPITAL ASSETS

Capital assets reported at June 30, 2003 have been restated as explained in Note 3. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

<i>Governmental Activities</i>	<i>Restated Balance June 30, 2003</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance June 30, 2004</i>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 4,254,885	\$ 204	\$ -	\$ 4,255,089
<i>Construction in progress</i>	<u>18,342,572</u>	<u>17,075,748</u>	<u>(34,960)</u>	<u>35,383,360</u>
<i>Total capital assets, not being depreciated</i>	<u>22,597,457</u>	<u>17,075,952</u>	<u>(34,960)</u>	<u>39,638,449</u>
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	1,494,719	-	-	1,494,719
<i>Buildings</i>	7,655,309	771,796	(166,575)	8,260,530
<i>Furniture, fixtures and equipment</i>	2,757,118	202,516	(94,464)	2,865,170
<i>Vehicles</i>	<u>2,202,337</u>	<u>312,656</u>	<u>(75,220)</u>	<u>2,439,773</u>
<i>Total capital assets, being depreciated</i>	<u>14,109,483</u>	<u>1,286,968</u>	<u>(336,259)</u>	<u>15,060,192</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(1,200,601)	(18,579)	-	(1,219,180)
<i>Buildings</i>	(3,823,384)	(389,969)	18,640	(4,194,713)
<i>Furniture, fixtures and equipment</i>	(1,339,341)	(191,571)	82,241	(1,448,671)
<i>Vehicles</i>	<u>(1,123,312)</u>	<u>(188,162)</u>	<u>28,678</u>	<u>(1,282,796)</u>
<i>Total accumulated depreciation</i>	<u>(7,486,638)</u>	<u>(788,281)</u>	<u>129,559</u>	<u>(8,145,360)</u>
<i>Total capital assets being depreciated, net</i>	<u>6,622,845</u>	<u>498,687</u>	<u>(206,700)</u>	<u>6,914,832</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 29,220,302</u>	<u>\$ 17,574,639</u>	<u>\$ (241,660)</u>	<u>\$ 46,553,281</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 427,331
<i>Special</i>	3,506
<i>Vocational</i>	1,454
<i>Support services:</i>	
<i>Pupils</i>	891
<i>Instructional staff</i>	33,516
<i>Administration</i>	6,891
<i>Fiscal</i>	6,181
<i>Business</i>	1,075
<i>Operation and maintenance of plant</i>	101,626
<i>Pupil transportation</i>	155,188
<i>Central</i>	1,834
<i>Food service operations</i>	11,625
<i>Operation of community services</i>	18
<i>Extracurricular activities</i>	<u>37,145</u>
<i>Total depreciation expense</i>	<u>\$ 788,281</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. During the year, the general fund advanced money to four nonmajor special revenue funds. The advances were used to fund federal grants where the money has not yet been received from the federal government. All of these advances are expected to be repaid during the next fiscal year.

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 66,712	\$ -
<i>Nonmajor governmental funds</i>	<u>-</u>	<u>66,712</u>
<i>Totals</i>	<u>\$ 66,712</u>	<u>\$ 66,712</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - RISK MANAGEMENT

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

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$242,744, 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 2003 and 2004 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2003	\$ 144,101	1,758,538	(1,746,127)	156,512
2004	\$ 156,512	2,058,435	(1,972,203)	242,744

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2003, 8.17% 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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$313,254, \$225,772, and \$150,035, respectively; 44% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$154,877, representing the unpaid contribution for fiscal year 2004, 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.

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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,508,996, \$1,122,479, and \$795,117, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$209,029, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2004 were \$10,598 made by the School District and \$18,293 made by the plan members.

NOTE 12 - POST-EMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$116,077 during the 2004 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$2.8 billion at June 30, 2003, (latest information available). For the year ended June 30, 2003, the net health care costs paid by the STRS were \$352,301,000 and eligible benefit recipients totaled 108,294.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 4.91% 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 2004, the minimum pay has been established at \$24,500. 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 \$227,020, which includes a surcharge of \$57,815 during the 2004 fiscal year.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

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, 2004, 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 13 - CONSTRUCTION COMMITMENTS

The School District had several outstanding construction projects as of June 30, 2004. These projects are evidenced by contractual commitments with contractors and include:

<i>Project</i>	<i>Spent to Date</i>	<i>Commitment Remaining</i>
<i>New high school</i>	\$ 32,393,646	\$ 3,680,084
<i>Building renovations</i>	<u>5,293,852</u>	<u>1,804,225</u>
<i>Total</i>	<u>\$ 37,687,498</u>	<u>\$ 5,484,309</u>

NOTE 14 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

<i>Governmental activities</i>	<i>Balance June 30, 2003</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2004</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>	\$ 39,860,000	\$ -	\$ (715,000)	\$ 39,145,000	\$ 805,000
<i>Other Obligations</i>					
<i>Compensated absences</i>	785,634	188,345	(81,577)	892,402	117,117
<i>Capital leases payable</i>	<u>23,302</u>	<u>128,471</u>	<u>(44,504)</u>	<u>107,269</u>	<u>23,787</u>
<i>Total other liabilities</i>	<u>808,936</u>	<u>316,816</u>	<u>(126,081)</u>	<u>999,671</u>	<u>140,904</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 40,668,936</u>	<u>\$ 316,816</u>	<u>\$ (841,081)</u>	<u>\$ 40,144,671</u>	<u>\$ 945,904</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 debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Principal and interest requirements to amortize all bonds outstanding at June 30, 2004 are as follows:

<i>Fiscal Year</i>	<i>School Improvement Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	1,240,000	1,781,687	3,021,687
2010-2014	6,445,000	7,906,313	14,351,313
2015-2019	6,875,000	6,362,294	13,237,294
2020-2024	11,280,000	3,911,213	15,191,213
2025-2027	9,475,000	736,125	10,211,125
<i>Total</i>	<u>\$ 39,145,000</u>	<u>\$ 28,224,819</u>	<u>\$ 67,369,819</u>

NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$233,879 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$44,504.

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>
2005	\$ 29,856
2006	29,856
2007	29,856
2008	29,856
2009	<u>2,488</u>
<i>Total minimum lease payments</i>	121,912
<i>Less: amount representing interest</i>	<u>(14,643)</u>
<i>Total</i>	<u>\$ 107,269</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 16 - 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 2004, the School District contributed \$27,232 to LEECA.

NOTE 17 - CONTINGENCIES

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

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

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

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

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 18- STATUTORY RESERVES

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

During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2003</i>	\$ (232,860)	\$ -	\$ (232,860)
<i>Current year set-aside requirement</i>	370,455	370,455	740,910
<i>Qualifying disbursements</i>	<u>(232,925)</u>	<u>(18,248,424)</u>	<u>(18,481,349)</u>
<i>Total</i>	<u>\$ (95,330)</u>	<u>\$ (17,877,969)</u>	<u>\$ (17,973,299)</u>
<i>Balance carried forward to future years</i>	<u>\$ (95,330)</u>		<u>\$ (95,330)</u>

NOTE 19 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

As of June 30, 2004, two funds had deficit fund balances. These deficits were caused by the application of GAAP. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had deficit balances:

<i>Fund</i>	<i>Amount</i>
<i>Special revenue:</i>	
<i>Miscellaneous local grant</i>	1,210
<i>Improving teacher quality</i>	1,177

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Compliance

As of June 30, 2004 the School District had appropriations exceeding estimated resources, which is a violation of Ohio Revised Code section 5705.39 for the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>Special Revenue:</i>			
<i>District managed student activities</i>	115,664	131,891	(16,227)
<i>Capital Projects:</i>			
<i>Permanent improvement</i>	903,727	903,941	(214)
<i>Building</i>	23,943,303	24,100,129	(156,826)

To prevent future violations, the School District has implemented procedures, which increase the monitoring of appropriations when compared to certified estimated resources.

**Combining Statements for Nonmajor
Governmental Funds**

COMBINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

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

Food Service

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

Special Trust

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

Uniform School Supplies

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

Public School Support

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

Miscellaneous Local Grant

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

Latchkey

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

Underground Storage Tanks

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

District Managed Student Activity

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

Management Information Systems

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

Entry Year Programs

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

Data Communications

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

SchoolNet Professional Development

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

Ohio Reads

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

Student Reading Intervention

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

IDEA, Part B

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

Title I

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

Title V

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

Drug-Free Schools

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

EHA Preschool Grant for Handicapped

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

Improving Teacher Quality

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

Miscellaneous Federal Grants

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

Permanent Improvement

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

Highland Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 352,222	\$ 820,749	\$ 1,172,971
Receivables:			
Intergovernmental	76,228	-	76,228
Inventory held for resale	18,451	-	18,451
Materials and supplies inventory	1,949	-	1,949
Total assets	<u>\$ 448,850</u>	<u>\$ 820,749</u>	<u>\$ 1,269,599</u>
 <u>Liabilities and fund equity:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 3,379	\$ 16,670	\$ 20,049
Accrued wages	112,661	-	112,661
Interfund payable	66,712	-	66,712
Intergovernmental payable	15,549	-	15,549
Total liabilities	<u>198,301</u>	<u>16,670</u>	<u>214,971</u>
 <u>Fund equity:</u>			
Fund balance:			
Reserved for encumbrances	32,397	654,603	687,000
Reserved for endowment	8,000	-	8,000
Unreserved:			
Undesignated, reported in:			
Special revenue funds	210,152	-	210,152
Capital projects funds	-	149,476	149,476
Total fund equity	<u>250,549</u>	<u>804,079</u>	<u>1,054,628</u>
Total liabilities and fund equity	<u>\$ 448,850</u>	<u>\$ 820,749</u>	<u>\$ 1,269,599</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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 628,737	\$ -	\$ 628,737
Interest	590	-	590
Tuition and fees	185,521	-	185,521
Extracurricular activities	165,342	-	165,342
Gifts and donations	1,050	-	1,050
Customer services	653,413	-	653,413
Rent	-	1,545	1,545
Miscellaneous	230	-	230
Total revenues	<u>1,634,883</u>	<u>1,545</u>	<u>1,636,428</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	154,851	-	154,851
Special	108,613	-	108,613
Support services:			
Pupils	70,095	-	70,095
Instructional staff	166,831	-	166,831
Administration	115,031	-	115,031
Operation and maintenance of plant	-	62,046	62,046
Pupil transportation	693	-	693
Central	29,595	-	29,595
Food service operations	701,968	-	701,968
Operation of community services	97,207	-	97,207
Extracurricular activities	158,685	-	158,685
Capital outlay	-	37,604	37,604
Total expenditures	<u>1,603,569</u>	<u>99,650</u>	<u>1,703,219</u>
Net change in fund balances	31,314	(98,105)	(66,791)
Fund balances at beginning of year	<u>219,235</u>	<u>902,184</u>	<u>1,121,419</u>
Fund balances at end of year	<u>\$ 250,549</u>	<u>\$ 804,079</u>	<u>\$ 1,054,628</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	<u>Food Service</u>	<u>Special Trust</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 58,959	\$ 26,082	\$ 17,153	\$ 53,704
Receivables:				
Accounts	-	-	-	-
Intergovernmental	5,375	-	-	-
Inventory held for resale	18,451	-	-	-
Materials and supplies inventory	1,949	-	-	-
Total assets	<u>\$ 84,734</u>	<u>\$ 26,082</u>	<u>\$ 17,153</u>	<u>\$ 53,704</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages	47,837	-	-	-
Interfund payable	-	-	-	-
Intergovernmental payable	6,557	-	-	-
Total liabilities	<u>54,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for encumbrances	8	-	-	882
Reserved for endowments	-	8,000	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	30,332	18,082	17,153	52,822
Total fund balances	<u>30,340</u>	<u>26,082</u>	<u>17,153</u>	<u>53,704</u>
Total liabilities and fund balances	<u>\$ 84,734</u>	<u>\$ 26,082</u>	<u>\$ 17,153</u>	<u>\$ 53,704</u>

<u>Miscellaneous Local Grant</u>	<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>
\$ 9,726	\$ 73,045	\$ 11,000	\$ 12,453	\$ 586	\$ -	\$ 382
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,726</u>	<u>\$ 73,045</u>	<u>\$ 11,000</u>	<u>\$ 12,453</u>	<u>\$ 586</u>	<u>\$ -</u>	<u>\$ 382</u>
\$ -	\$ -	\$ -	\$ 868	\$ -	\$ -	\$ 251
10,780	7,944	-	-	-	-	-
-	-	-	-	-	-	-
156	1,095	-	-	-	-	-
<u>10,936</u>	<u>9,039</u>	<u>-</u>	<u>868</u>	<u>-</u>	<u>-</u>	<u>251</u>
-	-	-	4,617	586	-	131
-	-	-	-	-	-	-
<u>(1,210)</u>	<u>64,006</u>	<u>11,000</u>	<u>6,968</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,210)</u>	<u>64,006</u>	<u>11,000</u>	<u>11,585</u>	<u>586</u>	<u>-</u>	<u>131</u>
<u>\$ 9,726</u>	<u>\$ 73,045</u>	<u>\$ 11,000</u>	<u>\$ 12,453</u>	<u>\$ 586</u>	<u>\$ -</u>	<u>\$ 382</u>

(Continued)

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	School Net Professional Development	Ohio Reads	Student Reading Intervention	IDEA, Part B
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ 20,840	\$ 51,695
Receivables:				
Accounts	-	-	-	-
Intergovernmental	4,140	-	-	53,013
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets	<u>\$ 4,140</u>	<u>\$ -</u>	<u>\$ 20,840</u>	<u>\$ 104,708</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,260
Accrued wages	-	-	-	29,718
Interfund payable	-	-	-	53,013
Intergovernmental payable	-	-	-	6,790
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,781</u>
Fund balances:				
Reserved for encumbrances	-	-	20,840	5,171
Reserved for endowments	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	4,140	-	-	7,756
Total fund balances	<u>4,140</u>	<u>-</u>	<u>20,840</u>	<u>12,927</u>
Total liabilities and fund balances	<u>\$ 4,140</u>	<u>\$ -</u>	<u>\$ 20,840</u>	<u>\$ 104,708</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>
\$ 7,456	\$ -	\$ -	\$ -	\$ 8,979	\$ 162	\$ 352,222
-	-	-	-	-	-	-
2,664	-	3,050	-	7,986	-	76,228
-	-	-	-	-	-	18,451
-	-	-	-	-	-	1,949
<u>\$ 10,120</u>	<u>\$ -</u>	<u>\$ 3,050</u>	<u>\$ -</u>	<u>\$ 16,965</u>	<u>\$ 162</u>	<u>\$ 448,850</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,379
6,371	-	-	-	10,011	-	112,661
2,663	-	3,050	-	7,986	-	66,712
806	-	-	-	145	-	15,549
<u>9,840</u>	<u>-</u>	<u>3,050</u>	<u>-</u>	<u>18,142</u>	<u>-</u>	<u>198,301</u>
-	-	-	-	-	162	32,397
-	-	-	-	-	-	8,000
-	-	-	-	-	-	-
280	-	-	-	(1,177)	-	210,152
280	-	-	-	(1,177)	162	250,549
<u>\$ 10,120</u>	<u>\$ -</u>	<u>\$ 3,050</u>	<u>\$ -</u>	<u>\$ 16,965</u>	<u>\$ 162</u>	<u>\$ 448,850</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, 2004

	<u>Food Service</u>	<u>Special Trust</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>
<u>Revenues:</u>				
Intergovernmental	\$ 42,872	\$ -	\$ -	\$ -
Interest	327	263	-	-
Tuition and fees	-	-	81,611	24,642
Extracurricular activities	-	-	-	37,664
Gifts and donations	-	-	-	150
Customer services	653,413	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>696,612</u>	<u>263</u>	<u>81,611</u>	<u>62,456</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	-	78,493	-
Special	-	-	-	-
Support services:				
Pupils	-	-	-	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	701,968	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	1,485	-	52,856
Total expenditures	<u>701,968</u>	<u>1,485</u>	<u>78,493</u>	<u>52,856</u>
Net change in fund balances	(5,356)	(1,222)	3,118	9,600
Fund balances at beginning of year	<u>35,696</u>	<u>27,304</u>	<u>14,035</u>	<u>44,104</u>
Fund balances at end of year	<u>\$ 30,340</u>	<u>\$ 26,082</u>	<u>\$ 17,153</u>	<u>\$ 53,704</u>

<u>Miscellaneous Local Grant</u>	<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>
\$ 54,000	\$ -	\$ -	\$ -	\$ 9,914	\$ 7,700	\$ 12,000
-	-	-	-	-	-	-
-	79,268	-	-	-	-	-
-	16,555	-	111,123	-	-	-
-	-	-	900	-	-	-
-	-	-	-	-	-	-
-	-	-	230	-	-	-
<u>54,000</u>	<u>95,823</u>	<u>-</u>	<u>112,253</u>	<u>9,914</u>	<u>7,700</u>	<u>12,000</u>
-	-	-	-	-	7,700	-
-	-	-	-	-	-	-
56,384	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	17,726	-	11,869
-	-	-	-	-	-	-
-	97,207	-	-	-	-	-
-	-	-	104,344	-	-	-
<u>56,384</u>	<u>97,207</u>	<u>-</u>	<u>104,344</u>	<u>17,726</u>	<u>7,700</u>	<u>11,869</u>
(2,384)	(1,384)	-	7,909	(7,812)	-	131
<u>1,174</u>	<u>65,390</u>	<u>11,000</u>	<u>3,676</u>	<u>8,398</u>	<u>-</u>	<u>-</u>
<u>\$ (1,210)</u>	<u>\$ 64,006</u>	<u>\$ 11,000</u>	<u>\$ 11,585</u>	<u>\$ 586</u>	<u>\$ -</u>	<u>\$ 131</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, 2004

	School Net Professional Development	Ohio Reads	Student Reading Intervention	IDEA, Part B
<u>Revenues:</u>				
Intergovernmental	\$ 8,280	\$ 4,000	\$ 49,124	\$ 301,433
Interest	-	-	-	-
Tuition and fees	-	-	-	-
Extracurricular activities	-	-	-	-
Gifts and donations	-	-	-	-
Customer services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>8,280</u>	<u>4,000</u>	<u>49,124</u>	<u>301,433</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,695	4,000	-	-
Special	-	-	28,284	12,338
Support services:				
Pupils	-	-	-	13,705
Instructional staff	-	-	-	151,215
Administration	-	-	-	115,031
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	-	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	-	-	-
Total expenditures	<u>5,695</u>	<u>4,000</u>	<u>28,284</u>	<u>292,289</u>
Net change in fund balances	2,585	-	20,840	9,144
Fund balances at beginning of year	1,555	-	-	3,783
Fund balances at end of year	<u>\$ 4,140</u>	<u>\$ -</u>	<u>\$ 20,840</u>	<u>\$ 12,927</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>
\$ 55,517	\$ 14,275	\$ 7,452	\$ 9,640	\$ 51,027	\$ 1,503	\$ 628,737
-	-	-	-	-	-	590
-	-	-	-	-	-	185,521
-	-	-	-	-	-	165,342
-	-	-	-	-	-	1,050
-	-	-	-	-	-	653,413
-	-	-	-	-	-	230
<u>55,517</u>	<u>14,275</u>	<u>7,452</u>	<u>9,640</u>	<u>51,027</u>	<u>1,503</u>	<u>1,634,883</u>
-	-	6,759	-	52,204	-	154,851
55,380	-	-	9,640	-	2,971	108,613
-	-	-	6	-	-	70,095
-	14,275	-	-	-	1,341	166,831
-	-	-	-	-	-	115,031
-	-	693	-	-	-	693
-	-	-	-	-	-	29,595
-	-	-	-	-	-	701,968
-	-	-	-	-	-	97,207
-	-	-	-	-	-	158,685
<u>55,380</u>	<u>14,275</u>	<u>7,452</u>	<u>9,646</u>	<u>52,204</u>	<u>4,312</u>	<u>1,603,569</u>
137	-	-	(6)	(1,177)	(2,809)	31,314
143	-	-	6	-	2,971	219,235
<u>\$ 280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,177)</u>	<u>\$ 162</u>	<u>\$ 250,549</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2004

	<u>Permanent Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 820,749	\$ 820,749
<u>Liabilities:</u>		
Accounts payable	\$ 16,670	\$ 16,670
<u>Fund equity:</u>		
Fund balance:		
Reserved for encumbrances	654,603	654,603
Unreserved:		
Undesignated, reported in:		
Capital projects funds	149,476	149,476
Total fund equity	<u>804,079</u>	<u>804,079</u>
Total liabilities and fund equity	<u>\$ 820,749</u>	<u>\$ 820,749</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, 2004

	Permanent Improvement	Total Nonmajor Capital Projects Funds
	<u> </u>	<u> </u>
<u>Revenues:</u>		
Rent	\$ 1,545	\$ 1,545
<u>Expenditures:</u>		
Current:		
Instruction:		
Support services:		
Operation and maintenance of plant	62,046	62,046
Capital outlay	37,604	37,604
Total expenditures	<u>99,650</u>	<u>99,650</u>
Net change in fund balances	(98,105)	(98,105)
Fund balances at beginning of year	902,184	902,184
Fund balances at end of year	<u>\$ 804,079</u>	<u>\$ 804,079</u>

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

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Debt Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 2,560,305	\$ 2,560,305	\$ -
Intergovernmental	341,468	341,468	-
Total revenues	<u>2,901,773</u>	<u>2,901,773</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Administration	10,000	6,242	3,758
Fiscal	40,000	37,775	2,225
Debt service:			
Principal retirement	715,000	715,000	-
Interest and fiscal charges	1,952,563	1,952,563	-
Total expenditures	<u>2,717,563</u>	<u>2,711,580</u>	<u>5,983</u>
Net change in fund balance	184,210	190,193	5,983
Fund balance at beginning of year	726,815	726,815	-
Fund balance at end of year	<u>\$ 911,025</u>	<u>\$ 917,008</u>	<u>\$ 5,983</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, 2004

Building Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 221,143	\$ 221,143	\$ -
Miscellaneous	3,665	3,665	-
Total revenues	<u>224,808</u>	<u>224,808</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Fiscal	7,500	-	7,500
Capital outlay	24,092,629	23,924,846	167,783
Total expenditures	<u>24,100,129</u>	<u>23,924,846</u>	<u>175,283</u>
Net change in fund balance	(23,875,321)	(23,700,038)	175,283
Fund balance at beginning of year	3,760,244	3,760,244	-
Prior year encumbrances appropriated	19,958,251	19,958,251	-
Fund balance at end of year	<u>\$ (156,826)</u>	<u>\$ 18,457</u>	<u>\$ 175,283</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, 2004

Food Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 42,747	\$ 42,747	\$ -
Interest	327	327	-
Customer services	648,360	653,413	5,053
Total revenues	<u>691,434</u>	<u>696,487</u>	<u>5,053</u>
<u>Expenditures:</u>			
Current:			
Food service operations	710,461	705,704	4,757
Excess of revenues over (under) expenditures	<u>(19,027)</u>	<u>(9,217)</u>	<u>9,810</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>35</u>	<u>35</u>	<u>-</u>
Net change in fund balance	(18,992)	(9,182)	9,810
Fund balance at beginning of year	68,068	68,068	-
Prior year encumbrances appropriated	65	65	-
Fund balance at end of year	<u>\$ 49,141</u>	<u>\$ 58,951</u>	<u>\$ 9,810</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, 2004

Special Trust Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 263	\$ 263	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Extracurricular activities	1,050	1,000	50
Excess of revenues over (under) expenditures	(787)	(737)	50
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(485)	(485)	-
Net change in fund balance	(1,272)	(1,222)	50
Fund balance at beginning of year	27,302	27,302	-
Fund balance at end of year	<u>\$ 26,030</u>	<u>\$ 26,080</u>	<u>\$ 50</u>

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 81,611	\$ 81,611	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Regular	80,567	78,493	2,074
Net change in fund balance	1,044	3,118	2,074
Fund balance at beginning of year	14,036	14,036	-
Fund balance at end of year	<u>\$ 15,080</u>	<u>\$ 17,154</u>	<u>\$ 2,074</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, 2004

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 24,642	\$ 24,642	\$ -
Extracurricular activities	37,647	37,647	-
Gifts and donations	150	150	-
Total revenues	<u>62,439</u>	<u>62,439</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	59,841	53,738	6,103
Excess of revenues over (under) expenditures	<u>2,598</u>	<u>8,701</u>	<u>6,103</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	<u>17</u>	<u>17</u>	<u>-</u>
Net change in fund balance	2,615	8,718	6,103
Fund balance at beginning of year	43,489	43,489	-
Prior year encumbrances appropriated	614	614	-
Fund balance at end of year	<u>\$ 46,718</u>	<u>\$ 52,821</u>	<u>\$ 6,103</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, 2004

Miscellaneous Local Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 54,000	\$ 54,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	65,544	56,818	8,726
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	-	(672)	(672)
Net change in fund balance	(11,544)	(3,490)	8,054
Fund balance at beginning of year	11,476	11,476	-
Prior year encumbrances appropriated	1,740	1,740	-
Fund balance at end of year	<u>\$ 1,672</u>	<u>\$ 9,726</u>	<u>\$ 8,054</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, 2004

Latchkey Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 16,555	\$ 16,555	\$ -
Tuition and fees	79,268	79,268	-
Total revenues	<u>95,823</u>	<u>95,823</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Community services	98,042	97,272	770
Net change in fund balance	(2,219)	(1,449)	770
Fund balance at beginning of year	74,494	74,494	-
Fund balance at end of year	<u>\$ 72,275</u>	<u>\$ 73,045</u>	<u>\$ 770</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, 2004

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 110,893	\$ 110,893	\$ -
Gifts and donations	900	900	-
Miscellaneous	260	260	-
Total revenues	<u>112,053</u>	<u>112,053</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	132,543	109,351	23,192
Excess of revenues over (under) expenditures	<u>(20,490)</u>	<u>2,702</u>	<u>23,192</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	230	230	-
Transfers out	(2)	-	2
Total other financing sources (uses)	<u>228</u>	<u>230</u>	<u>2</u>
Net change in fund balance	(20,262)	2,932	23,194
Fund balance at beginning of year	3,381	3,381	-
Prior year encumbrances appropriated	654	654	-
Fund balance at end of year	<u>\$ (16,227)</u>	<u>\$ 6,967</u>	<u>\$ 23,194</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, 2004

Management Information Systems Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,914	\$ 9,914	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Support services:			
Central	18,312	18,312	-
Net change in fund balance	(8,398)	(8,398)	-
Fund balance at beginning of year	8,398	8,398	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Entry Year Programs Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 7,700	\$ 7,700	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Regular	7,700	7,700	-
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, 2004

Data Communications Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 12,000	\$ 12,000	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Support services:			
Central	12,000	12,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SchoolNet Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,140	\$ 4,140	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Regular	5,500	5,500	-
Excess of revenues over (under) expenditures	(1,360)	(1,360)	-
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(195)	(195)	-
Net change in fund balance	(1,555)	(1,555)	-
Fund balance at beginning of year	1,555	1,555	-
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, 2004

Ohio Reads Fund

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

Student Reading Intervention Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 49,124	\$ 49,124	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Special	49,124	49,124	-
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, 2004

IDEA Part B Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 248,420	\$ 248,420	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	17,301	17,301	-
Support services:			
Pupils	16,136	13,698	2,438
Instructional staff	176,880	147,624	29,256
Administration	126,247	113,461	12,786
Total expenditures	336,564	292,084	44,480
Excess of revenues over (under) expenditures	(88,144)	(43,664)	44,480
<u>Other financing sources (uses):</u>			
Advances in	53,013	53,013	-
Net change in fund balance	(35,131)	9,349	44,480
Fund balance at beginning of year	35,131	35,131	-
Fund balance at end of year	\$ -	\$ 44,480	\$ 44,480

Title I Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 52,853	\$ 52,853	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	66,941	53,773	13,168
Excess of revenues over (under) expenditures	(14,088)	(920)	13,168
<u>Other financing sources (uses):</u>			
Advances in	2,663	2,663	-
Transfers in	5,712	5,712	-
Transfers out	-	(5,712)	(5,712)
Total other financing sources (uses)	8,375	2,663	(5,712)
Net change in fund balance	(5,713)	1,743	7,456
Fund balance at beginning of year	5,713	5,713	-
Fund balance at end of year	\$ -	\$ 7,456	\$ 7,456

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, 2004

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 14,275	\$ 14,275	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff	14,275	14,275	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Drug-Free Schools Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,402	\$ 4,402	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,759	6,759	-
Support services:			
Pupil transportation	693	693	-
Total expenditures	7,452	7,452	-
Excess of revenues over (under) expenditures	(3,050)	(3,050)	-
<u>Other financing sources (uses):</u>			
Advances in	3,050	3,050	-
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, 2004

EHA Preschool Grant for Handicapped Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 9,640	\$ 9,640	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Special	9,901	9,895	6
<u>Support services:</u>			
Pupils	-	6	(6)
Total expenditures	9,901	9,901	-
Net change in fund balance	(261)	(261)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	261	261	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Improving Teacher Quality Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 43,041	\$ 43,041	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	51,027	42,048	8,979
Excess of revenues over (under) expenditures	(7,986)	993	8,979
<u>Other financing sources (uses):</u>			
Advances in	7,986	7,986	-
Net change in fund balance	-	8,979	8,979
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 8,979</u>	<u>\$ 8,979</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, 2004

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 1,503	\$ 1,503	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Special	2,971	2,585	386
<u>Support services:</u>			
Instructional staff	1,503	1,503	-
Total expenditures	4,474	4,088	386
Excess of revenues over (under) expenditures	(2,971)	(2,585)	386
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	-	(386)	(386)
Net change in fund balance	(2,971)	(2,971)	-
Fund balance at beginning of year	386	386	-
Prior year encumbrances appropriated	2,585	2,585	-
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, 2004

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Rent	\$ 1,675	\$ 1,675	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Instruction:			
Regular	476,588	-	476,588
Support services:			
Operation and maintenance of plant	427,353	50,972	376,381
Capital outlay	-	703,282	(703,282)
Total expenditures	903,941	754,254	149,687
Net change in fund balance	(902,266)	(752,579)	149,687
Fund balance at beginning of year	902,052	902,052	-
Fund balance at end of year	\$ (214)	\$ 149,473	\$ 149,687

Internal Service Fund

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

Fiduciary Funds

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

Statement of Changes in Assets and Liabilities – Agency Fund

Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ 2,055,936	\$ 2,055,936	\$ -
Other revenues	6,585	6,585	-
Refund of prior year expense	73,578	73,578	-
Total revenues	<u>2,136,099</u>	<u>2,136,099</u>	<u>-</u>
<u>Expenses:</u>			
Purchased services	377,755	383,412	(5,657)
Other	1,983,434	1,972,203	11,231
Total expenses	<u>2,361,189</u>	<u>2,355,615</u>	<u>5,574</u>
Net change in fund balance	(225,090)	(219,516)	5,574
Fund balance at beginning of year	1,260,164	1,260,164	-
Fund balance at end of year	<u>\$ 1,035,074</u>	<u>\$ 1,040,648</u>	<u>\$ 5,574</u>

Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2004

Endowment Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 596	\$ 596	\$ -
Gifts and donations	10,000	10,000	-
Total revenues	<u>10,596</u>	<u>10,596</u>	<u>-</u>
<u>Expenses:</u>			
Current:			
Support services:			
Pupils	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Net change in fund balance	7,996	7,996	-
Fund balance at beginning of year	57,673	57,673	-
Fund balance at end of year	<u>\$ 65,669</u>	<u>\$ 65,669</u>	<u>\$ -</u>

Highland Local School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2004

	Beginning Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2004</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 71,783	\$ 4,061	\$ -	\$ 75,844
<u>Liabilities:</u>				
Due to students	\$ 71,783	\$ 4,061	\$ -	\$ 75,844

STATISTICAL SECTION

Highland Local School District

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

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003
<u>Revenues:</u>		
Program revenues:		
Charges for services	\$ 1,241,414	\$ 1,073,478
Operating grants, contributions and interest	677,753	601,975
Capital grants and contributions	18,493	89,869
General revenues:		
Property taxes levied for general purposes	13,436,487	12,988,609
Property taxes levied for debt service	2,547,077	2,451,517
Grants and entitlements	6,615,473	6,724,999
Investment earnings	392,812	796,721
Miscellaneous	166,532	342,303
Total revenues	<u>\$ 25,096,041</u>	<u>\$ 25,069,471</u>
<u>Expenses:</u>		
Current:		
Instruction:		
Regular	\$ 9,372,735	\$ 8,301,672
Special	2,189,792	2,019,730
Vocational	237,639	221,771
Other	31,364	69,763
Support services:		
Pupils	996,550	933,363
Instructional staff	1,402,428	1,339,268
Board of education	19,977	18,217
Administration	1,746,937	1,536,965
Fiscal	734,167	652,819
Business	50,876	53,637
Operation and maintenance of plant	2,316,223	1,511,088
Pupil transportation	1,367,189	1,466,258
Central	131,127	191,871
Food service operations	741,795	693,490
Operation of non-instructional services	93,682	95,703
Extracurricular activities	852,001	830,425
Interest and fiscal charges	1,957,796	1,966,421
Total expenditures	<u>\$ 24,242,278</u>	<u>\$ 21,902,461</u>

Source: Fiscal years 2003 and 2004 School District basic financial statements.

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

Highland Local School District

**General Governmental Revenues by Source and Expenditures by Function
Last Ten Fiscal Years (1)**

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001
<u>Revenues:</u>				
Taxes	\$ 15,935,352	\$ 15,463,889	\$ 14,538,929	\$ 12,354,172
Intergovernmental	7,262,704	7,323,901	6,817,025	5,454,444
Interest	393,402	800,782	1,747,965	597,311
Tuition and fees	377,354	276,194	184,042	42,011
Extracurricular activities	210,318	197,212	215,505	133,692
Contributions and donations	9,975	34,694	25,217	26,312
Rentals	1,995	1,981	-	-
Charges for services	653,513	600,072	-	-
Miscellaneous	155,841	134,779	35,291	63,981
Total revenues	<u>\$ 25,000,454</u>	<u>\$ 24,833,504</u>	<u>\$ 23,563,974</u>	<u>\$ 18,671,923</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$ 8,577,629	\$ 7,833,998	\$ 7,446,830	\$ 6,900,655
Special	2,152,969	2,051,324	2,011,976	1,662,633
Vocational	228,428	211,230	200,031	187,423
Other	31,364	69,763	37,726	36,769
Support services:				
Pupils	957,325	900,198	791,643	682,467
Instructional staff	1,329,558	1,256,031	1,066,087	904,511
Board of education	19,977	18,217	21,438	17,434
Administration	1,711,485	1,512,600	1,386,350	1,358,748
Fiscal	708,440	639,893	576,577	510,379
Business	49,801	52,562	43,337	59,474
Operation and maintenance of plant	2,144,278	1,736,157	1,444,642	1,388,114
Pupil transportation	1,165,311	1,308,460	1,151,899	1,012,720
Central	127,471	189,741	162,936	143,765
Food service operations	701,968	639,626	-	-
Operation of community services	97,207	91,238	-	-
Extracurricular activities	807,874	788,751	712,490	539,987
Capital outlay	18,299,864	17,504,007	2,967,386	371,270
Debt service:				
Principal retirement	759,504	63,719	39,922,064	152,721
Interest and fiscal charges	1,959,583	1,966,521	2,116,347	9,402
Total expenditures	<u>\$ 41,830,036</u>	<u>\$ 38,834,036</u>	<u>\$ 62,059,759</u>	<u>\$ 15,938,472</u>

Source: 1995-2004 School District audit reports.

Note: For 1995-2002, general government includes all governmental fund types and expendable trust fund; for 2003-2004, general government includes general, special revenue, debt service and capital projects funds.

(1) 1995 was reported on a cash basis; 1996-2004 were reported on a GAAP basis using modified accrual basis of accounting.

Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995
\$ 11,223,255	\$ 10,043,853	\$ 9,041,436	\$ 8,435,516	\$ 8,115,953	\$ 7,795,368
4,666,518	4,752,187	4,166,741	4,284,951	4,540,713	-
492,076	358,319	350,176	347,174	266,325	173,079
75,626	158,087	176,871	355,390	286,036	235,734
128,882	122,745	111,345	94,816	78,454	69,942
-	18,307	-	-	-	-
-	880	-	-	-	-
-	-	-	-	-	-
172,855	119,266	118,625	29,949	30,792	46,869
<u>\$ 16,759,212</u>	<u>\$ 15,573,644</u>	<u>\$ 13,965,194</u>	<u>\$ 13,547,796</u>	<u>\$ 13,318,273</u>	<u>\$ 8,320,992</u>

\$ 6,631,821	\$ 6,526,825	\$ 6,077,644	\$ 5,707,087	\$ 5,405,845	\$ 4,919,088
1,583,534	1,561,221	1,475,902	1,300,891	1,215,687	1,088,014
182,228	171,863	158,581	163,814	181,080	176,354
27,121	41,533	23,278	23,696	29,064	17,753
632,375	636,563	714,424	672,101	664,306	551,869
838,410	675,836	678,152	777,892	528,043	479,198
13,288	12,271	14,900	19,713	12,083	11,261
1,251,719	1,290,845	1,262,690	1,233,351	1,101,231	985,932
490,630	405,446	378,076	386,746	313,572	321,997
43,599	60,813	51,382	30,227	28,277	33,999
2,019,991	1,275,532	1,462,949	1,266,195	1,211,117	1,494,339
1,002,971	805,837	906,518	854,209	687,974	763,416
134,642	84,531	34,356	46,620	45,056	50,198
-	-	-	-	-	-
122	-	1,270	-	426	4,574
526,941	473,288	425,364	377,187	350,573	304,040
149,955	158,147	430,507	151,150	101,238	31,730
137,887	138,820	707,372	235,459	234,898	250,573
11,008	18,861	58,859	72,111	90,140	
<u>\$ 15,678,242</u>	<u>\$ 14,338,232</u>	<u>\$ 14,862,224</u>	<u>\$ 13,318,449</u>	<u>\$ 12,200,610</u>	<u>\$ 11,484,335</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		Total Collection	Total Collection as a Percent of Total Levy	Delinquent Taxes Receivable
			Current Levy Collected	Delinquent Collection			
2003	\$ 18,447,500	\$ 17,412,606	94.39%	\$ 739,750	\$ 18,152,356	98.40%	295,144
2002	15,269,275	14,524,680	95.12%	473,574	14,998,254	98.23%	271,021
2001	14,733,328	14,053,399	95.39%	289,297	14,342,696	97.35%	390,632
2000	13,495,738	12,907,061	95.64%	334,287	13,241,348	98.12%	254,390
1999	12,515,672	11,954,285	95.51%	325,333	12,279,618	98.11%	236,054
1998	10,220,956	9,772,905	95.62%	240,411	10,013,316	97.97%	207,640
1997	9,862,623	9,406,783	95.38%	284,692	9,691,475	98.26%	171,148
1996	9,467,576	9,030,672	95.39%	325,486	9,356,158	98.82%	111,418
1995	9,068,950	8,755,693	96.55%	250,727	9,006,420	99.31%	62,530
1994	\$ 8,409,812	\$ 7,962,434	94.68%	\$ 221,161	\$ 8,183,595	97.31%	\$ 226,217

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 2003. 2004 information cannot be presented because all collections have not been made by June 30.

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

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

Source: Medina County Auditor and Summit County Fiscal Officer.

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

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

(2) Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

(3) Tangible personal property is assessed at 25% of true value for capital assets and 24% of true value for inventory.

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

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

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

Collection Year	School	County	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
1997	Brunswick Hills	59.28	7.97	7.60	3.05	-	1.75	80.90
	Granger Twp.	59.28	7.97	2.60	3.05	-	1.75	75.90
	Hinckley Twp.	59.28	7.97	11.05	3.05	-	2.80	85.40
	Medina Twp.	59.28	7.97	5.60	3.05	-	1.75	78.90
	Montville Twp.	59.28	7.97	9.45	3.05	-	1.75	82.75
	Sharon Twp.	59.28	7.97	8.40	3.05	-	1.75	81.70
	Wadsworth City	59.28	7.97	-	3.05	5.80	1.75	79.10
1996	Brunswick Hills	59.28	7.98	7.60	3.05	-	1.75	80.91
	Granger Twp.	59.28	7.98	2.60	3.05	-	1.75	75.91
	Hinckley Twp.	59.28	7.98	11.05	3.05	-	2.80	85.41
	Medina Twp.	59.28	7.98	5.60	3.05	-	1.75	78.91
	Montville Twp.	59.28	7.98	10.45	3.05	-	1.75	83.76
	Sharon Twp.	59.28	7.98	8.40	3.05	-	1.75	81.71
	Wadsworth City	59.28	7.98	-	3.05	5.80	1.75	79.11
1995	Brunswick Hills	59.97	8.09	7.60	3.05	-	1.75	81.71
	Granger Twp.	59.97	8.09	2.60	3.05	-	1.75	76.71
	Hinckley Twp.	59.97	8.09	11.05	3.05	-	2.80	86.21
	Medina Twp.	59.97	8.09	5.60	3.05	-	1.75	79.71
	Montville Twp.	59.97	8.09	10.45	3.05	-	1.75	84.56
	Sharon Twp.	59.97	8.09	8.40	3.05	-	1.75	82.51
	Wadsworth City	59.97	8.09	-	3.05	5.80	1.75	79.91

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, 2004

Assessed Valuation (2003)	<u>\$ 507,597,022</u>
Bonded Debt Limit - 9% of Assessed Value (1)	45,683,732
Outstanding debt:	
School Improvement Bonds	39,145,000
Less: Amount available in debt service fund	<u>(1,083,866)</u>
Total outstanding debt	<u>\$ 38,061,134</u>
Amount of debt applicable to debt limit	38,061,134
Voted Debt Margin	<u>\$ 7,622,598</u>
Bonded Debt Limit - .10% of Assessed Value (1)	\$ 507,597
Outstanding debt:	
School Improvement Bonds	39,145,000
Less: Amount available in debt service fund	<u>(1,083,866)</u>
Total outstanding debt	<u>\$ 38,061,134</u>
Less exemptions:	
School Improvement Bonds	39,145,000
Less: Amount available in debt service fund	<u>(1,083,866)</u>
Total exemptions	<u>\$ 38,061,134</u>
Amount of debt applicable to debt limit	-
Unvoted Debt Margin	<u>\$ 507,597</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</u>	<u>Assessed Value</u>	<u>Population (1)/(2)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2004	\$ 39,145,000	\$ 507,597,022	22,708	7.71%	1,723.84
2003	39,860,000	486,680,285	22,708	8.19%	1,755.33
2002	39,900,000	465,372,416	22,708	8.57%	1,757.09
2001	-	385,858,982	22,708	0.00%	0.00
2000	130,000	364,219,377	16,875	0.04%	7.70
1999	260,000	347,338,280	16,875	0.07%	15.41
1998	390,000	318,329,550	16,875	0.12%	23.11
1997	1,089,200	304,638,430	16,875	0.36%	64.55
1996	1,317,100	293,499,430	16,875	0.45%	78.05
1995	\$ 1,545,000	\$ 227,167,263	16,875	0.68%	91.56

Sources: U.S. Census Bureau, Medina County Auditor, Summit County Fiscal Officer and 1995-2004 School District audit reports.

- (1) Population data for 1995 through 2000 was assumed to be the same as the 1990 census as interim data was not available.
- (2) Population data for 2001 through 2004 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>
2004	\$ 715,000	\$ 1,952,563	\$ 2,667,563	\$ 41,830,036	6.38%
2003	40,000	1,963,888	2,003,888	38,834,036	5.16%
2002	39,900,000	2,112,059	42,012,059	62,059,759	67.70%
2001	130,000	3,575	133,575	15,938,472	0.84%
2000	130,000	10,725	140,725	15,678,242	0.90%
1999	130,000	17,875	147,875	14,338,232	1.03%
1998	699,200	57,219	756,419	14,862,224	5.09%
1997	227,900	69,865	297,765	13,318,449	2.24%
1996	227,900	87,332	315,232	12,200,610	2.58%
1995	\$ 183,500	\$ 67,073	\$ 250,573	\$ 11,484,335	2.18%

Sources: School District records and audit reports.

Highland Local School District

Demographic Statistics

<u>Selected Population Characteristic</u>	<u>2000</u>	<u>1990</u>
<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>
2004	\$ 507,597,022	\$ 276,271,000	\$ 18,295,860
2003	486,680,285	230,397,000	15,182,710
2002	465,372,416	191,217,000	17,029,810
2001	385,858,982	151,846,000	13,517,380
2000	364,219,377	129,769,000	12,789,550
1999	347,338,280	159,232,558	10,897,380
1998	318,329,550	618,560,551	13,366,420
1997	304,638,430	97,862,101	9,749,260
1996	293,499,430	873,151,487	9,334,270
1995	\$ 227,167,263	\$ 811,794,038	\$ 8,632,930

Sources:

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

Financial institution deposits - Cleveland Federal Reserve Board.

Value of new construction - Highland Local School District.

Highland Local School District
Principal Taxpayers

Top Taxpayers	Assessed Valuations				Percent of Total	Estimated Actual Valuations			
	Real Property	Tangible Personal	Public Utility	Total		Real Property	Tangible Personal	Public Utility	Total
Ohio Edison Company	\$ -	\$ -	\$ 5,664,070	\$ 5,664,070	1.12%	\$ -	\$ -	\$ 22,656,280	\$ 22,656,280
Columbia Gas of Ohio	-	-	4,855,710	4,855,710	0.96%	-	-	19,422,840	19,422,840
Verizon North Inc.	-	-	2,198,520	2,198,520	0.43%	-	-	8,794,080	8,794,080
SFS Stadler, Inc.	744,800	1,030,850	-	1,775,650	0.35%	2,128,000	1,171,420	-	3,299,420
A. Schulman, Inc.	-	1,674,080	-	1,674,080	0.33%	-	1,902,364	-	1,902,364
Wakefield Run Development	1,482,130	-	-	1,482,130	0.29%	4,234,657	-	-	4,234,657
Kimball Hill Homes	1,310,000	-	-	1,310,000	0.26%	3,742,857	-	-	3,742,857
Avalon RV Center, Inc.	-	1,159,500	-	1,159,500	0.23%	-	1,317,614	-	1,317,614
Structured Management	1,151,480	-	-	1,151,480	0.23%	3,289,943	-	-	3,289,943
Sharon Club Company	1,151,350	-	-	1,151,350	0.23%	3,289,571	-	-	3,289,571
Total Top Ten Taxpayers	\$ 5,839,760	\$ 3,864,430	\$ 12,718,300	\$ 22,422,490	4.42%	\$ 16,685,028	\$ 4,391,398	\$ 50,873,200	\$ 71,949,626

Total All Assessed Valuations \$ 477,698,180 \$ 17,197,552 \$ 12,701,290 \$ 507,597,022 100.00%

Source: Highland Local School District.

Highland Local School District
Computation of Direct and Overlapping Bonded Debt
June 30, 2004

	<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	\$ 507,597,022	\$ 38,061,134	100.00%	\$ 38,061,134
Brunswick Hills Township	153,901,877	-	2.79%	-
Granger Township	142,767,507	-	96.65%	-
Hinckley Township	230,260,944	-	72.55%	-
Medina Township	295,924,689	-	0.63%	-
Montville Township	233,431,940	-	13.60%	-
Sharon Township	161,695,215	-	97.15%	-
Wadsworth City	414,268,282	-	0.66%	-
		<u>\$ 38,061,134</u>		<u>\$ 38,061,134</u>

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

(1) Includes all general obligation bonds and notes at June 30, 2004.

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

Highland Local School District

Directory of School Facilities

June 30, 2004

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

Source: Highland Local School District records.

Highland Local School District

Miscellaneous Statistics

Last Ten Fiscal Years (1)

	<u>Fiscal Year Ended June 30, 2004</u>	<u>Fiscal Year Ended June 30, 2003</u>	<u>Fiscal Year Ended June 30, 2002</u>	<u>Fiscal Year Ended June 30, 2001</u>
Fall Enrollment	2,735	2,585	2,494	2,421
Average Teacher Salary	\$ 48,040	\$ 46,759	\$ 43,807	\$ 42,350
Pupil Attendance Rate	96.20%	-	95.90	95.50
Graduation Rate	96.10%	96.00	96.50	94.10
Average Number of Students Per Teacher	22.10%	20.20	20.50	20.20
Teacher Attendance Rate	95.80%	95.90	95.50	95.30
Annual Spending Per Pupil	\$ 7,315	\$ 7,154	\$ 6,970	\$ 6,588

Sources: Ohio Department of Education and School District records.

(1) Some information not available for 2003.

<u>Fiscal Year Ended June 30, 2000</u>	<u>Fiscal Year Ended June 30, 1999</u>	<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>	<u>Fiscal Year Ended June 30, 1996</u>	<u>Fiscal Year Ended June 30, 1995</u>
2,292	2,385	2,352	2,223	2,197	2,111
\$ 41,545	\$ 39,976	\$ 47,468	\$ 46,317	\$ 44,020	\$ 39,881
95.50	96.30	96.31	95.86	95.97	95.60
95.30	90.50	90.40	86.59	90.73	95.74
20.50	20.60	22.60	24.30	24.50	22.40
96.00	95.80	96.00	96.35	96.72	97.06
\$ 6,940	\$ 6,174	\$ 6,186	\$ 5,551	\$ 5,245	\$ 5,051





**Auditor of State
Betty Montgomery**

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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
FEBRUARY 10, 2005**