



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Highland Local School District  
Morrow County  
6506 State Route 229  
PO Box 98  
Sparta, Ohio 43350-0098

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Highland Local School District, Morrow County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Highland Local School District, Morrow County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2001 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

December 20, 2001

**Highland Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001**

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
<u>Assets and Other Debits:</u>									
<u>Assets:</u>									
Equity in Pooled Cash and Cash Equivalents	\$3,315,979	\$378,570	\$825,488	\$233,897	\$38,197	\$20,095	\$0	\$0	\$4,812,226
Cash and Cash Equivalents with Fiscal Agent	0	0	456	0	0	0	0	0	456
Receivables:									
Income Taxes	284,794	0	0	0	0	0	0	0	284,794
Property Taxes	3,080,040	27,234	458,710	0	0	0	0	0	3,565,984
Accounts	1,146	1,548	0	0	5,242	0	0	0	7,936
Intergovernmental	22,600	121,336	0	72,000	0	0	0	0	215,936
Accrued Interest	11,864	0	0	0	0	0	0	0	11,864
Prepaid Items	77,811	0	0	0	4,836	0	0	0	82,647
Inventory Held for Resale	0	0	0	0	23,557	0	0	0	23,557
Materials and Supplies Inventory	55,305	0	0	0	3,261	0	0	0	58,566
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	127,165	0	0	0	0	0	0	0	127,165
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	10,554	0	15,849,435	0	15,859,989
<u>Other Debits:</u>									
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0	0	0	0	908,935	908,935
Amount to be Provided from General Governmental Resources	0	0	0	0	0	0	0	2,569,216	2,569,216
<b>Total Assets and Other Debits</b>	<b>\$6,976,704</b>	<b>\$528,688</b>	<b>\$1,284,654</b>	<b>\$305,897</b>	<b>\$85,647</b>	<b>\$20,095</b>	<b>\$15,849,435</b>	<b>\$3,478,151</b>	<b>\$28,529,271</b>

(continued)

Highland Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001  
 (continued)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
<u>Liabilities, Fund Equity, and Other Credits:</u>									
<u>Liabilities:</u>									
Accounts Payable	\$48,759	\$10,761	\$0	\$81,976	\$0	\$0	\$0	\$0	\$141,496
Accrued Wages and Benefits	1,029,569	47,629	0	0	41,542	0	0	0	1,118,740
Compensated Absences Payable	4,130	0	0	0	19,740	0	0	691,035	714,905
Contracts Payable	103,412	0	0	0	0	0	0	0	103,412
Retainage Payable	8,878	0	0	0	0	0	0	0	8,878
Intergovernmental Payable	189,375	1,400	0	0	24,668	0	0	87,116	302,559
Deferred Revenue	2,745,573	103,955	375,263	0	15,063	0	0	0	3,239,854
Undistributed Assets	0	0	0	0	0	650	0	0	650
Due to Students	0	0	0	0	0	19,445	0	0	19,445
Matured Interest Payable	0	0	456	0	0	0	0	0	456
General Obligation Bonds Payable	0	0	0	0	0	0	0	2,700,000	2,700,000
Total Liabilities	<u>4,129,696</u>	<u>163,745</u>	<u>375,719</u>	<u>81,976</u>	<u>101,013</u>	<u>20,095</u>	<u>0</u>	<u>3,478,151</u>	<u>8,350,395</u>
<u>Fund Equity and Other Credits:</u>									
Investment in General Fixed Assets	0	0	0	0	0	0	15,849,435	0	15,849,435
Retained Earnings:									
Unreserved (Deficit)	0	0	0	0	(15,366)	0	0	0	(15,366)
Fund Balance:									
Reserved for Property Taxes	377,518	4,368	77,492	0	0	0	0	0	459,378
Reserved for Inventory	55,305	0	0	0	0	0	0	0	55,305
Reserved for Capital Improvements	72,746	0	0	0	0	0	0	0	72,746
Reserved for Budget Stabilization	44,467	0	0	0	0	0	0	0	44,467
Reserved for Bus Purchase	9,952	0	0	0	0	0	0	0	9,952
Reserved for Encumbrances	924,073	27,244	0	144,898	0	0	0	0	1,096,215
Designated for Capital Improvements	903,047	0	0	0	0	0	0	0	903,047
Unreserved, Undesignated	<u>459,900</u>	<u>333,331</u>	<u>831,443</u>	<u>79,023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,703,697</u>
Total Fund Equity (Deficit) and Other Credits	<u>2,847,008</u>	<u>364,943</u>	<u>908,935</u>	<u>223,921</u>	<u>(15,366)</u>	<u>0</u>	<u>15,849,435</u>	<u>0</u>	<u>20,178,876</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$6,976,704</u>	<u>\$528,688</u>	<u>\$1,284,654</u>	<u>\$305,897</u>	<u>\$85,647</u>	<u>\$20,095</u>	<u>\$15,849,435</u>	<u>\$3,478,151</u>	<u>\$28,529,271</u>

See Accompanying Notes to the General Purpose Financial Statements



**Highland Local School District  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Income Taxes	\$662,136	\$0	\$0	\$0	\$662,136
Property Taxes	2,237,292	25,679	459,448	0	2,722,419
Intergovernmental	6,889,094	643,946	54,380	181,561	7,768,981
Interest	272,134	0	0	10,146	282,280
Extracurricular Activities	0	127,724	0	0	127,724
Gifts and Donations	0	22,899	0	0	22,899
Miscellaneous	75,037	33,341	0	0	108,378
<b>Total Revenues</b>	<b>10,135,693</b>	<b>853,589</b>	<b>513,828</b>	<b>191,707</b>	<b>11,694,817</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,217,901	105,155	0	864	4,323,920
Special	1,066,073	241,717	0	0	1,307,790
Vocational	172,073	0	0	0	172,073
<b>Support Services:</b>					
Pupils	184,103	41,955	0	0	226,058
Instructional Staff	457,645	263,954	0	7,500	729,099
Board of Education	129,435	0	0	0	129,435
Administration	787,449	69,994	0	0	857,443
Fiscal	216,792	613	12,197	0	229,602
Operation and Maintenance of Plant	1,014,939	2,283	0	0	1,017,222
Pupil Transportation	811,748	0	0	0	811,748
Central	0	15,473	0	0	15,473
Extracurricular Activities	161,540	73,836	0	0	235,376
Capital Outlay	276,829	0	0	297,182	574,011
<b>Debt Service:</b>					
Principal Retirement	0	0	160,000	0	160,000
Interest and Fiscal Charges	0	0	177,700	0	177,700
<b>Total Expenditures</b>	<b>9,496,527</b>	<b>814,980</b>	<b>349,897</b>	<b>305,546</b>	<b>10,966,950</b>
Excess of Revenues Over (Under) Expenditures	639,166	38,609	163,931	(113,839)	727,867
Fund Balances at Beginning of Year	2,215,166	326,334	745,004	337,760	3,624,264
Decrease in Reserve for Inventory	(7,324)	0	0	0	(7,324)
<b>Fund Balances at End of Year</b>	<b>\$2,847,008</b>	<b>\$364,943</b>	<b>\$908,935</b>	<b>\$223,921</b>	<b>\$4,344,807</b>

See Accompanying Notes to the General Purpose Financial Statements

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**Highland Local School District  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Income Taxes	\$645,000	\$652,845	\$7,845	\$0	\$0	\$0
Property Taxes	2,042,938	2,066,967	24,029	21,368	23,735	2,367
Intergovernmental	6,852,591	6,887,624	35,033	605,987	606,308	321
Interest	265,000	276,709	11,709	0	0	0
Tuition and Fees	1,000	0	(1,000)	0	0	0
Extracurricular Activities	0	0	0	121,268	126,382	5,114
Gifts and Donations	0	0	0	21,842	22,899	1,057
Miscellaneous	21,000	58,967	37,967	15,900	19,252	3,352
<b>Total Revenues</b>	<b>9,827,529</b>	<b>9,943,112</b>	<b>115,583</b>	<b>786,365</b>	<b>798,576</b>	<b>12,211</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,232,698	4,134,674	98,024	106,180	102,793	3,387
Special	1,102,210	1,062,334	39,876	320,401	245,048	75,353
Vocational	197,540	186,436	11,104	0	0	0
<b>Support Services:</b>						
Pupils	191,300	184,633	6,667	48,002	42,002	6,000
Instructional Staff	476,719	461,474	15,245	353,663	271,995	81,668
Board of Education	142,900	125,917	16,983	0	0	0
Administration	814,393	781,578	32,815	79,870	71,332	8,538
Fiscal	216,160	210,291	5,869	800	613	187
Operation and Maintenance of Plant	1,161,479	1,118,682	42,797	52,283	2,283	50,000
Pupil Transportation	926,816	832,837	93,979	900	0	900
Central	0	0	0	21,425	16,803	4,622
Extracurricular Activities	165,100	158,209	6,891	92,209	76,719	15,490
Capital Outlay	1,155,684	1,077,084	78,600	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>10,782,999</b>	<b>10,334,149</b>	<b>448,850</b>	<b>1,075,733</b>	<b>829,588</b>	<b>246,145</b>
Excess of Revenues Over (Under) Expenditures	(955,470)	(391,037)	564,433	(289,368)	(31,012)	258,356
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	24,000	27,096	3,096	0	0	0
Other Financing Sources	1,100,000	0	(1,100,000)	14,000	14,000	0
Other Financing Uses	(85,000)	0	85,000	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,039,000</b>	<b>27,096</b>	<b>(1,011,904)</b>	<b>14,000</b>	<b>14,000</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	83,530	(363,941)	(447,471)	(275,368)	(17,012)	258,356
Fund Balances at Beginning of Year	2,630,672	2,630,672	0	284,373	284,373	0
Prior Year Encumbrances Appropriated	53,999	53,999	0	75,087	75,087	0
<b>Fund Balances at End of Year</b>	<b>\$2,768,201</b>	<b>\$2,320,730</b>	<b>(\$447,471)</b>	<b>\$84,092</b>	<b>\$342,448</b>	<b>\$258,356</b>

(continued)

**Highland Local School District**  
**Combined Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2001**  
(continued)

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Property Taxes	396,517	424,459	27,942	0	0	0
Intergovernmental	50,483	54,380	3,897	109,561	109,561	0
Interest	0	0	0	10,900	11,000	100
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
<b>Total Revenues</b>	<b>447,000</b>	<b>478,839</b>	<b>31,839</b>	<b>120,461</b>	<b>120,561</b>	<b>100</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	0	0	0	91,163	87,945	3,218
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
<b>Support Services:</b>						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	65,060	52,616	12,444
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	15,000	12,197	2,803	0	0	0
Operation and Maintenance of Plant	0	0	0	28,250	14,265	13,985
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	263,451	215,442	48,009
<b>Debt Service:</b>						
Principal Retirement	160,000	160,000	0	0	0	0
Interest and Fiscal Charges	177,705	177,700	5	0	0	0
<b>Total Expenditures</b>	<b>352,705</b>	<b>349,897</b>	<b>2,808</b>	<b>447,924</b>	<b>370,268</b>	<b>77,656</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>94,295</b>	<b>128,942</b>	<b>34,647</b>	<b>(327,463)</b>	<b>(249,707)</b>	<b>77,756</b>
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>94,295</b>	<b>128,942</b>	<b>34,647</b>	<b>(327,463)</b>	<b>(249,707)</b>	<b>77,756</b>
Fund Balances at Beginning of Year	696,546	696,546	0	123,552	123,552	0
Prior Year Encumbrances Appropriated	0	0	0	214,635	214,635	0
<b>Fund Balances at End of Year</b>	<b>\$790,841</b>	<b>\$825,488</b>	<b>\$34,647</b>	<b>\$10,724</b>	<b>\$88,480</b>	<b>\$77,756</b>

See Accompanying Notes to the General Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$645,000	\$652,845	\$7,845
2,460,823	2,515,161	54,338
7,618,622	7,657,873	39,251
275,900	287,709	11,809
1,000	0	(1,000)
121,268	126,382	5,114
21,842	22,899	1,057
36,900	78,219	41,319
<u>11,181,355</u>	<u>11,341,088</u>	<u>159,733</u>
4,430,041	4,325,412	104,629
1,422,611	1,307,382	115,229
197,540	186,436	11,104
239,302	226,635	12,667
895,442	786,085	109,357
142,900	125,917	16,983
894,263	852,910	41,353
231,960	223,101	8,859
1,242,012	1,135,230	106,782
927,716	832,837	94,879
21,425	16,803	4,622
257,309	234,928	22,381
1,419,135	1,292,526	126,609
160,000	160,000	0
<u>177,705</u>	<u>177,700</u>	<u>5</u>
<u>12,659,361</u>	<u>11,883,902</u>	<u>775,459</u>
<u>(1,478,006)</u>	<u>(542,814)</u>	<u>935,192</u>
24,000	27,096	3,096
1,114,000	14,000	(1,100,000)
<u>(85,000)</u>	<u>0</u>	<u>85,000</u>
<u>1,053,000</u>	<u>41,096</u>	<u>(1,011,904)</u>
(425,006)	(501,718)	(76,712)
3,735,143	3,735,143	0
<u>343,721</u>	<u>343,721</u>	<u>0</u>
<u>\$3,653,858</u>	<u>\$3,577,146</u>	<u>(\$76,712)</u>

**Highland Local School District**  
**Combined Statement of Revenues, Expenses,**  
**and Changes in Retained Earnings**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2001**

<u>Operating Revenues:</u>	
Sales	<u>\$354,408</u>
 <u>Operating Expenses:</u>	
Salaries	177,254
Fringe Benefits	78,637
Purchased Services	5,571
Cost of Sales	295,682
Depreciation	2,948
Total Operating Expenses	<u>560,092</u>
 Operating Loss	 <u>(205,684)</u>
 <u>Non-Operating Revenues:</u>	
Federal Donated Commodities	44,531
Operating Grants	111,766
Interest	971
Total Non-Operating Revenues	<u>157,268</u>
 Net Loss	 <u>(48,416)</u>
 Retained Earnings at Beginning of Year	 <u>33,050</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$15,366)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**Highland Local School District**  
**Combined Statement of Revenues, Expenses,**  
**and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual**  
**Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2001**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$353,600	\$353,616	\$16
Operating Grants	110,500	111,766	1,266
Interest	1,000	971	(29)
Total Revenues	<u>465,100</u>	<u>466,353</u>	<u>1,253</u>
<u>Expenses:</u>			
Salaries	166,000	161,223	4,777
Fringe Benefits	80,150	80,150	0
Purchased Services	6,500	5,571	929
Materials and Supplies	256,654	254,165	2,489
Total Expenses	<u>509,304</u>	<u>501,109</u>	<u>8,195</u>
Excess of Revenues			
Under Expenses	(44,204)	(34,756)	9,448
Fund Balances at Beginning of Year	68,707	68,707	0
Prior Year Encumbrances Appropriated	<u>2,054</u>	<u>2,054</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$26,557</u></u>	<u><u>\$36,005</u></u>	<u><u>\$9,448</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**Highland Local School District  
 Combined Statement of Cash Flows  
 Enterprise Funds  
 For the Fiscal Year Ended June 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$353,616
Cash Payments for Salaries	(161,223)
Cash Payments for Fringe Benefits	(80,150)
Cash Payments for Goods and Services	<u>(257,544)</u>
Net Cash Used for Operating Activities	<u>(145,301)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>111,766</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>971</u>
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Net Decrease in Cash and Cash Equivalents (32,564)

Cash and Cash Equivalents at Beginning of Year 70,761

Cash and Cash Equivalents at End of Year \$38,197

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$205,684)

Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	2,948
Donated Commodities Used During Year	44,531
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(792)
Increase in Prepaid Items	(876)
Increase in Inventory Held for Resale	(704)
Increase in Materials and Supplies Inventory	(11)
Decrease in Accounts Payable	(108)
Increase in Accrued Wages and Benefits	13,337
Increase in Compensated Absences Payable	4,716
Decrease in Intergovernmental Payable	<u>(2,658)</u>
Net Cash Used for Operating Activities	<u><u>(\$145,301)</u></u>

See Accompanying Notes to the General Purpose Financial Statements



**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1960. The School District serves an area of approximately one hundred forty-four square miles and is located in Morrow and Delaware Counties. The School District is the 321st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-two classified employees, one hundred ten certified teaching personnel, and fourteen administrative employees who provide services to 1,772 students and other community members. The School District currently operates three elementary schools, a middle school, and a high school.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Highland Local School District, this includes general operations, food service, 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 organizations' 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 the budget, the issuance of debt, or the levying of taxes. There are no component units of the Highland Local School District.

The School District participates in five jointly governed organizations and an insurance pool, and is associated with a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, Highland Community Joint Recreation Board, North Central Ohio Special Education Regional Resource Center, North Central Regional Professional Development Center, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Selover Public Library. Information about these organizations is presented in Notes 19, 20, and 21 to the combined financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Highland Local 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 body 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 enterprise funds 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  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**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.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

**Capital Projects Funds** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation - Fund Accounting (Continued)**

**Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Enterprise Funds** - Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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 the modified accrual basis, revenue is recorded in the fiscal year in which resources are measurable and become available. Available means 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 fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: income taxes, property taxes available as an advance, grants, and interest.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 governmental funds.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

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 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 primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower special revenue fund is a flow through grant in which the Mid-Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for rate determination.

**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the Mid-Ohio Educational Service Center, consistent with statutory provisions.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise funds.

**Lapsing of Appropriations**

At the close of each fiscal 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.

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by Bank One, who services the School District's bond and coupon payments, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Investments (Continued)**

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. 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, 2001.

The Board of Education has allocated interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$272,134, which included \$74,898 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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 in which services are consumed.

**F. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the acquisition and construction of capital improvements and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight to twenty years.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after eleven years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.



**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Bonds are reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

**K. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventories of materials and supplies, capital improvements, budget stabilization, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for capital improvements represents revenues set aside that exceed statutorily required amounts.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. 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  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2001, the Title VI-B, Title I, and Reducing Class Size special revenue funds had deficit fund balances, in the amount of \$6,225, \$6,492, and \$4,304, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$58,332 at June 30, 2001, as a result of accumulated operating losses from prior years.

**B. Compliance**

The Food Service enterprise fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$6,121.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$639,166	\$38,609	\$163,931	(\$113,839)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	482,376	5,150	48,458	0
Accrued FY 2001, Not Yet Received in Cash	(654,871)	(46,163)	(83,447)	(72,000)

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures  
All Governmental Fund Types  
(continued)

	General	Special Revenue	Debt Service	Capital Projects
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(\$1,103,866)	(\$39,016)	\$0	(\$1,800)
Accrued FY 2001, Not Yet Paid in Cash	1,384,123	59,790	0	81,976
Cash Adjustments:				
Unrecorded Activity FY 2000	20,833	0	0	1,373
Unrecorded Activity FY 2001	(13,823)	0	0	(519)
Prepaid Items	(9,288)	0	0	0
Excess of Revenues Under Expenditures For Nonbudgeted Funds	0	740	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(1,108,591)	(36,122)	0	(144,898)
Budget Basis	<u>(\$363,941)</u>	<u>(\$17,012)</u>	<u>\$128,942</u>	<u>(\$249,707)</u>

Net Loss/Excess of Revenues Under Expenses  
Enterprise Funds

GAAP Basis	(\$48,416)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	4,450
Accrued FY 2001, Not Yet Received in Cash	(5,242)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(70,663)
Accrued FY 2001, Not Yet Paid in Cash	85,950
	(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Loss/Excess of Revenues Under Expenses  
Enterprise Funds  
(continued)

Prepaid Items	(\$876)
Inventory Held for Resale	(704)
Materials and Supplies Inventory	(11)
Depreciation Expense	2,948
Encumbrances Outstanding at Year End (Budget Basis)	<u>(2,192)</u>
Budget Basis	<u><u>(\$34,756)</u></u>

**6. 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 the Board of Education has identified as not required for use within the current two 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.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**HIGHLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$800 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$1,000,435 and the bank balance was \$1,154,446. Of the bank balance, \$200,467 was covered by federal depository insurance and \$953,979 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**HIGHLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered 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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$3,938,612.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,939,847	\$0
Cash on Hand	(800)	0
Investments:		
STAR Ohio	(3,938,612)	3,938,612
GASB Statement No. 3	\$1,000,435	\$3,938,612

**7. INCOME TAXES**

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. PROPERTY TAXES**

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

**HIGHLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**8. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Morrow and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$377,518 in the General Fund, \$4,368 in the Classroom Facilities special revenue fund, and \$77,492 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2000, was \$220,354 in the General Fund, \$2,569 in the Classroom Facilities special revenue fund, and \$45,212 in the Bond Retirement debt service fund.

Accrued property taxes receivable also includes amounts for any late tax settlements made by the Counties. For fiscal year 2001, this amount was \$28,918 in the General Fund, \$316 in the Classroom Facilities special revenue fund, and \$5,955 in the Bond Retirement debt service fund. For fiscal year 2000, this amount was \$15,757 in the General Fund, \$171 in the Classroom Facilities special revenue fund, and \$3,246 in the Bond Retirement debt service fund.



**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**8. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2001 taxes were collected are:

	<u>2000 Second- Half Collections</u>		<u>2001 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$67,168,260	84.86 %	\$99,683,290	86.87 %
Industrial/Commercial	4,966,620	6.28	7,335,370	6.39
Public Utility	4,739,850	5.99	5,116,170	4.46
Tangible Personal	2,274,472	2.87	2,617,789	2.28
Total Assessed Value	<u>\$79,149,202</u>	<u>100.00 %</u>	<u>\$114,752,619</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$23.85		\$23.35	

**9. RECEIVABLES**

Receivables at June 30, 2001, consisted of both income and property taxes, accounts (student fees and billings for user charged services), intergovernmental, and accrued interest receivables. 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$7,936.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	
Mount Vernon City School District	\$1,770
Cardington-Lincoln Local School District	14,252
Mount Gilead Exempted Village School District	3,289
Northmor Local School District	3,289
Total General Fund	<u>22,600</u>

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. RECEIVABLES (Continued)**

	Amount
Special Revenue Funds	
Eisenhower	\$704
Title I	9,931
Technology E-Rate	10,701
Other Federal Grants	100,000
Total Special Revenue Funds	121,336
Capital Projects Fund	
Interactive Video Distance Learning	72,000
Total Intergovernmental Receivables	\$215,936

**10. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$178,403
Less Accumulated Depreciation	(167,849)
Net Fixed Assets	\$10,554

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$141,812	\$0	\$0	\$141,812
Buildings and Improvements	11,642,366	0	0	11,642,366
Furniture, Fixtures, and Equipment	2,279,331	210,185	0	2,489,516
Books	657,821	0	657,821	0
Vehicles	1,192,762	76,591	0	1,269,353
Construction in Progress	0	306,388	0	306,388
Total	\$15,914,092	\$593,164	657,821	\$15,849,435

For fiscal year 2001, the School District will no longer be capitalizing textbooks. Amounts previously recorded as fixed assets are reflected as reductions for fiscal year 2001.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance is as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$27,977,138
Boiler and Machinery (\$1,000 deductible)	3,714,932
Commercial Crime	50,000

Coverage provided by Nationwide Insurance is as follows:

Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorist	2,000,000
Medical Payments - per person	5,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS**

**A. 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 administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent 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 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$455,146, \$257,804, and \$244,967, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$75,180, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$59,770, \$66,951, and \$86,445, respectively; 46 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$32,339, is recorded as a liability within the respective funds and the general long-term obligations account group.

**HIGHLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POST EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$215,595.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$174,548 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**HIGHLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred thirty days for certified employees and two hundred thirty-six days for classified employees. Upon retirement, payment is made for 25 percent of their accrued, but unused sick leave credit to a maximum of fifty-seven and one-half days for certified employees and fifty-nine days for classified employees.

**B. Insurance Benefits**

The School District offers life insurance and accidental death and dismemberment insurance to all employees through Medical Life Insurance Company. The School District offers employee medical/surgical benefits through United Health Care of Ohio. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is offered to all employees through Metlife.

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Jr. High Construction Bonds 1980 9.125%	\$400,000	\$0	\$100,000	\$300,000
School Facilities Construction and Improvement Bonds 1997 5.875%	2,460,000	0	60,000	2,400,000
Total Long-Term Obligations	2,860,000	0	160,000	2,700,000
Compensated Absences Payable	625,700	65,335	0	691,035
Intergovernmental Payable	66,738	87,116	66,738	87,116
Total General Long-Term Obligations	<u>\$3,552,438</u>	<u>\$152,451</u>	<u>\$226,738</u>	<u>\$3,478,151</u>

**Jr. High Construction Bonds** - On May 1, 1980, the School District issued \$2,300,000 in voted general obligation bonds for improving and constructing the Jr. High School building and facilities. The bonds were issued for a twenty-four year period, with final maturity in fiscal year 2004. The bonds are being retired through the Bond Retirement debt service fund.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

**School Facilities Construction and Improvement Bonds** - On September 1, 1996, the School District issued \$2,616,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The bond issue included serial and term bonds, in the amount of \$891,000 and \$1,725,000, respectively. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2020. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2009	\$115,000
2010	125,000
2011	130,000
2012	140,000
2013	150,000
2014	160,000
2015	170,000
2016	180,000
2017	190,000
2018	205,000
2019	160,000

The bonds maturing after December 1, 2006, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2007, at redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2008	102 %
December 1, 2008 through November 30, 2009	101
December 1, 2009 and thereafter	100

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$8,536,671 with an unvoted debt margin of \$114,753 at June 30, 2001.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire the outstanding general obligation bonds at June 30, 2001, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	165,000	164,590	329,590
2003	170,000	151,163	321,163
2004	175,000	137,415	312,415
2005	80,000	127,912	207,912
2006	85,000	122,653	207,653
2007-2011	670,000	604,350	1,274,350
2012-2016	800,000	286,407	1,086,407
2017-2020	555,000	47,147	602,147
Total	<u>\$2,700,000</u>	<u>\$1,641,637</u>	<u>\$4,341,637</u>

**16. SIGNIFICANT CONTRACTUAL COMMITMENTS**

The School District has outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2001:

Vendor	Contract Amount	Amount Paid as of 6/30/01	Outstanding Balance
Gulf Construction Association	\$20,000	\$4,000	\$16,000
McConkey Construction	100,332	64,185	36,147
Studer-Obringer Construction	24,220	15,640	8,580
Rhodes Heating & Air Conditioning	32,806	0	32,806
BCU Electric	43,122	0	43,122
Metzger-Glesinger Mechanical	17,701	0	17,701
Modern Builders	245,009	0	245,009
Universal Refrigeration	94,325	0	94,325
Kahl's Electric	69,515	0	69,515



**HIGHLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	(\$41,097)	\$56,030	\$117,232
Current Year Set Aside Requirement	197,226	197,226	0
Legislative Reduction	0	0	(72,765)
Qualifying Expenditures	(181,748)	(180,510)	0
Amount Carried Forward to Fiscal Year 2002	<u>(\$25,619)</u>	<u>\$72,746</u>	<u>\$44,467</u>
Set Aside Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$72,746</u>	<u>\$44,467</u>

The total reserve balance for the set asides at the end of the fiscal year was \$117,213.

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Highland Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$320,850	\$33,558	\$354,408
Depreciation Expense	2,948	0	2,948
Operating Income (Loss)	(211,879)	6,195	(205,684)
Federal Donated Commodities	44,531	0	44,531

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Grants	\$111,766	\$0	\$111,766
Net Income (Loss)	(54,611)	6,195	(48,416)
Net Working Capital	(49,146)	42,966	(6,180)
Total Assets	42,681	42,966	85,647
Total Equity (Deficit)	(58,332)	42,966	(15,366)
Encumbrances Outstanding at Year End (Budget Basis)	0	2,192	2,192

**19. JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**B. Tri-Rivers Joint Vocational School**

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**C. Highland Community Joint Recreation Board**

The School District, the villages of Chesterville, Marengo, and Sparta, and the townships of Bennington, Chester, and South Bloomfield participate in a Joint Recreation Board created under the provisions of Ohio Revised Code Sections 755.12 to 755.18. The Joint Recreation Board consists of one representative from each of the participants. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Pat Davies, who serves as Treasurer, P.O. Box 278, Marengo, Ohio 43334.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. North Central Ohio Special Education Regional Resource Center**

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-six member board, including the superintendent from the participating school districts. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

**E. North Central Regional Professional Development Center**

The North Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

**20. INSURANCE POOL**

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**21. RELATED ORGANIZATION**

**Selover Public Library**

The Selover Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Highland Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Selover Public Library, Anna Vukovich, Clerk/Treasurer, P.O. Box 25, Chesterville, Ohio 43317.

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**22. CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**23. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of December 13, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>United States Department of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	NA	10.550	\$0	\$47,646	\$0	\$45,317
National School Lunch Program	048801-03/04-PU-00/01	10.555	106,195	0	106,195	0
<i>Total Child Nutrition Cluster/Total United States Department of Agriculture</i>			<b>106,195</b>	<b>47,646</b>	<b>106,195</b>	<b>45,317</b>
<b>United States Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	048801-C1-S1-00/01	84.010	159,149	0	169,281	0
Special Education Grants to States	048801-6B-SF-01P	84.027	87,204	0	80,464	0
Safe and Drug Free Schools	048801-DR-S1-2001	84.186	7,002	0	7,002	0
Goals 2000	048801-G2-SP/S4-01/S2-2001	84.276	23,869	0	9,869	0
Eisenhower Professional Development State Grants	048801-MS-S1-2000/2001	84.281	6,038	0	11,646	0
Innovative Educational Program Strategies	048801-C2-S1-99 C/2001	84.298	8,356	0	8,957	0
School Reform	048801-RF-S1-00 (A)/00P	84.332	55,884	0	81,326	0
Class Reduction	048801-CR-S1-00/2001	84.340	33,040	0	35,124	0
<i>Total United States Department of Education</i>			<b>380,542</b>	<b>0</b>	<b>403,669</b>	<b>0</b>
<b>Total Federal Financial Assistance</b>			<b>\$486,737</b>	<b>\$47,646</b>	<b>\$509,864</b>	<b>\$45,317</b>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS  
RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Highland Local School District  
Morrow County  
6506 State Route 229  
P.O. Box 98  
Sparta, Ohio 43350-0098

To the Board of Education:

We have audited the financial statements of the Highland Local School District, Morrow County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material 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 management of the District in a separate letter dated December 20, 2001.

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

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

**JIM PETRO**  
Auditor of State

December 20, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Highland Local School District  
Morrow County  
6506 State Route 229  
P.O. Box 98  
Sparta, Ohio 43350-0098

To the Board of Education:

**Compliance**

We have audited the compliance of the Highland Local School District, Morrow County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

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

**JIM PETRO**  
Auditor of State

December 20, 2001

**HIGHLAND SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>Un(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Title I - CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A > \$300,000 Type B - all other programs
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-10659-001	Extracurricular Activity Receipts Sales Potential Forms	Yes	Finding No Longer Valid



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**HIGHLAND LOCAL SCHOOL DISTRICT**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2002**