



Dave Yost • Auditor of State

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Morrow County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2011, the District adopted Governmental Accounting Standard No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, which resulted in reclassification to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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 basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 31, 2012

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of Highland Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2011 were as follows:

- Net assets decreased overall \$263,200, or less than 1 percent.
- Finishing touches to a major construction project of new and renovated classroom facilities was wrapped up during the summer of 2011. In August 2008, the residents of the School District approved a \$15 million, 4.4 mill bond issue to build a new High School and renovate the existing High School and Central Elementary. This work was in partnership with the Ohio School Facilities Commission - 25 percent local share and 75 percent paid by the State. The combined project budget for the construction and renovations was \$47 million.
- Federal stimulus funds were beneficial to help support the State's Foundation/PASS formula and provide for additional Title funding. This funding was used to maintain staffing levels throughout the School District.
- The contract agreement with the Highland Education Association (the teacher's union) was negotiated for a two-year term which will expire in June 2012. This agreement calls for no increase to the base salary for the two-year period. The contract with the non-teaching staff was negotiated for a three-year period to expire in June 2012 as well.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Highland Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The Highland Local School District has four major funds, the General Fund, the Bond Retirement Fund, the Building Construction Fund, and the Ohio School Facilities Commission Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1 Net Assets			
	2011	2010	Change
<u>Assets:</u>			
Current and Other Assets	\$23,695,173	\$48,988,221	(\$25,293,048)
Capital Assets, Net	55,663,992	30,720,468	24,943,524
Total Assets	79,359,165	79,708,689	(349,524)
<u>Liabilities:</u>			
Current and Other Liabilities	9,560,647	9,663,628	102,981
Long-Term Liabilities	16,307,184	16,290,527	(16,657)
Total Liabilities	25,867,831	25,954,155	86,324
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	46,815,244	30,682,012	16,133,232
Restricted	5,925,539	22,557,947	(16,632,408)
Unrestricted	750,551	514,575	235,976
Total Net Assets	\$53,491,334	\$53,754,534	(\$263,200)

Although the overall change in net assets was not significant (less than 1 percent), the above table reflects a significant reclassification of resources as restricted resources were spent on the School District's building project as noted in the reduction in current and other assets and restricted net assets and the corresponding increase in net capital assets and invested in capital assets.

Table 2 reflects the changes in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$459,501	\$470,735	(\$11,234)
Operating Grants and Contributions	2,930,630	2,862,007	68,623
Total Program Revenues	3,390,131	3,332,742	57,389

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

Table 2
Changes in Net Assets
(continued)

	Governmental Activities		
	2011	2010	Change
Revenues: (continued)			
General Revenues			
Property Taxes Levied for General Purposes	\$3,421,081	\$2,898,164	\$522,917
Property Taxes Levied for Classroom Facilities Purposes	69,533	68,532	1,001
Property Taxes Levied for Debt Service Purposes	807,129	796,996	10,133
Property Taxes Levied for Permanent Improvement Purposes	174,315	652,087	(477,772)
Income Taxes Levied for General Purposes	915,496	894,491	21,005
Grants and Entitlements	9,089,549	9,192,961	(103,412)
Interest	46,804	231,610	(184,806)
Gifts and Donations	6,415	9,930	(3,515)
Miscellaneous	434,284	378,486	55,798
Total General Revenues	<u>14,964,606</u>	<u>15,123,257</u>	<u>(158,651)</u>
Total Revenues	<u>18,354,737</u>	<u>18,455,999</u>	<u>(101,262)</u>
<u>Expenses:</u>			
Instruction:			
Regular	8,474,825	7,711,331	(763,494)
Special	2,723,046	2,402,410	(320,636)
Vocational	167,132	155,038	(12,094)
Support Services:			
Pupils	872,255	896,396	24,141
Instructional Staff	775,107	903,004	127,897
Board of Education	212,337	276,443	64,106
Administration	471,969	727,374	255,405
Fiscal	423,494	401,892	(21,602)
Operation and Maintenance of Plant	1,242,787	1,442,212	199,425
Pupil Transportation	1,374,368	1,374,071	(297)
Central	5,985	8,270	2,285
Non-Instructional Services	664,047	755,778	91,731
Extracurricular Activities	392,269	372,397	(19,872)
Interest and Fiscal Charges	818,316	814,627	(3,689)
Total Expenses	<u>18,617,937</u>	<u>18,241,243</u>	<u>(376,694)</u>
Increase (Decrease) in Net Assets	(263,200)	214,756	(477,956)
Net Assets at Beginning of Year	<u>53,754,534</u>	<u>53,539,778</u>	<u>214,756</u>
Net Assets at End of Year	<u>\$53,491,334</u>	<u>\$53,754,534</u>	<u>(\$263,200)</u>

Program revenues (which represent program grants and charges for services such as for food service operations and extracurricular activities) increased slightly from the previous year due to additional federal stimulus funding in federal grants (Title and IDEA programs).

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

General revenues decreased slightly from the prior fiscal year, generally due to a reduction in State Foundation funding and lower interest rates. The increase in property taxes levied for general purposes and the decrease in property taxes levied for permanent improvement purposes reflects the redistribution of inside millage (3 mills) beginning in January 2010. The School District had moved this portion of inside millage to support permanent improvements in prior years.

Overall expenses increased slightly from the prior fiscal year (2 percent). The substantial increase to regular instruction program expenses was due, in part, to construction related activities that were not capitalized. Program expenses for instruction alone represent 61 percent of total expenses. When combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance, and pupil transportation, 84 percent of all School District expenses are related to the primary function of delivering education and maintaining facilities.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$8,474,825	\$7,711,331	\$7,828,776	\$7,583,998
Special	2,723,046	2,402,410	1,271,540	557,537
Vocational	167,132	155,038	102,239	90,372
Support Services:				
Pupils	872,255	896,396	432,949	452,569
Instructional Staff	775,107	903,004	775,107	903,004
Board of Education	212,337	276,443	212,337	276,443
Administration	471,969	727,374	471,969	727,374
Fiscal	423,494	401,892	423,494	401,892
Operation and Maintenance of Plant	1,242,787	1,442,212	1,242,787	1,442,212
Pupil Transportation	1,374,368	1,374,071	1,374,368	1,374,071
Central	5,985	8,270	5,985	8,270
Non-Instructional Services	664,047	755,778	9,497	8,818
Extracurricular Activities	392,269	372,397	258,442	267,314
Interest and Fiscal Charges	818,316	814,627	818,316	814,627
Total Expenses	<u>\$18,617,937</u>	<u>\$18,241,243</u>	<u>\$15,227,806</u>	<u>\$14,908,501</u>

Program revenues provided for 18 percent of the costs of services during fiscal year 2011, the same as in fiscal year 2010. Traditional support from federal title grants provided for much of the program revenues for the School District. General revenues such as local property taxes, income taxes, and unrestricted State entitlements (primarily State Foundation funding) provided for the remaining 82 percent of all program costs during the fiscal year.

The non-instructional service program which includes grants, food subsidies, and cafeteria sales was generally fully funded by program revenues in the fiscal year. Revenues from extracurricular activities, including athletic events, provided for 34 percent of the costs of these activities.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund represents the main operating fund for the day-in day-out operations of the School District. During fiscal year 2011, fund balance in the General Fund increased \$342,351 (17 percent). A modest increase in revenues and modest decrease in expenditures led to this increase in fund balance.

The fund balance in the Bond Retirement account increased \$41,095 as collections from property taxes were enough to cover the debt obligations during the year.

The Building Construction capital projects fund represents the locally funded initiatives spending portion of the construction project.

The Ohio School Facilities Commission capital projects fund accounts for resources received from the State and the local portion of the construction and renovation project. The decrease in fund balance represents the spending on the construction project.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the fiscal year the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the School District had \$55,663,992 invested in capital assets (net of accumulated depreciation), an increase of 81 percent from the prior fiscal year. Additions for fiscal year 2011 included the continuation of renovations of current school buildings, construction of a new high school, and a new bus. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$15,348,110, for school construction. The School District also had outstanding capital leases for equipment, in the amount of \$34,358. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

Current Issues

This is a very exciting time for the Highland community. New classroom facilities have just been completed on a major \$47 million project to build a new High School, renovate the current High School into a Middle School, and renovate the Middle School/Central Elementary into one large elementary school. The Ohio School Facilities Commission has been a partner with the School District in paying for 75 percent of the project cost.

The Highland Local School District is located in southern Morrow County and includes a small portion of northeastern Delaware County (Porter Township). The area is primarily rural farming and the tax base is primarily residential. Interstate 71 is within easy access to the School District residents and is an easy commute for many traveling to Columbus. The School District's enrollment has experience continued growth and is now serving 1,900 students.

Property values within the School District have historically steadily increased to support the student population. More recently property values had declined slightly with the widespread downturn in the housing market. The School District still maintains one of the lowest total property tax rates in the State of 24.5 mills, which includes 4.4 mills for bond retirement.

During fiscal 2008, the School District established a Permanent Improvement Fund by moving unvoted inside millage from property taxes. This move resulted in a positive effect on the State's Foundation funding formula. However, the State has since implemented a new Evidence Based Model to fund all schools beginning with fiscal year 2010. The Board of Education has since initiated the move of much of this inside millage back to the General Fund.

The forecasted trend for the School District largely depends on the State's funding system. With as much as 63 percent of the School District's operational monies coming from the State, continued conservative obligations will be the norm. Nearly 80 percent of the total General Fund budget is expended for employee wages and fringe benefits. These costs, including retirement and health care benefits, continue to be monitored closely.

The State continues to deal with higher unemployment with a sluggish economy, leading to fewer revenue resources for schools. It is unlikely that school districts will realize the same level of State funding they have realized in the past years. It also appears the federal state stabilization stimulus funding over the past two fiscal years (2010, 2011) will not continue. This combination of revenue declines at the State level and slower real estate value growth locally is cause for concern for the School District and warrants close attention.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jon Mason, Treasurer, Highland Local School District, 6506 State Route 229, P.O. Box 98, Sparta, Ohio 43350.

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**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 16,828,815
Cash and Cash Equivalents with Escrow Agents	103,501
Accounts Receivable	30,711
Accrued Interest Receivable	7,971
Intergovernmental Receivable	1,327,913
Income Taxes Receivable	381,559
Prepaid Items	3,373
Inventory Held for Resale	37,590
Materials and Supplies Inventory	63,776
Property Taxes Receivable	4,711,825
Unamortized Issuance Costs	198,139
Nondepreciable Capital Assets	43,543,502
Depreciable Capital Assets, Net	<u>12,120,490</u>
Total Assets	<u>79,359,165</u>
 <u>Liabilities:</u>	
Accounts Payable	142,253
Contracts Payable	3,391,726
Accrued Wages and Benefits Payable	1,574,786
Matured Compensated Absences Payable	456
Intergovernmental Payable	503,943
Accrued Interest Payable	62,889
Deferred Revenue	3,173,187
Retainage Payable	711,407
Long-Term Liabilities:	
Due Within One Year	262,751
Due in More Than One Year	<u>16,044,433</u>
Total Liabilities	<u>25,867,831</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	46,815,244
Restricted For:	
Set Asides	1,042,437
Debt Service	6,686
Capital Projects	3,425,012
Classroom Facilities	431,405
Education Jobs	494,573
Other Purposes	525,426
Unrestricted	<u>750,551</u>
Total Net Assets	<u>\$ 53,491,334</u>

See Accompanying Notes to Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 8,474,825	\$ 22,019	\$ 624,030	\$ (7,828,776)
Special	2,723,046	-	1,451,506	(1,271,540)
Vocational	167,132	476	64,417	(102,239)
Support Services:				
Pupils	872,255	-	439,306	(432,949)
Instructional Staff	775,107	-	-	(775,107)
Board of Education	212,337	-	-	(212,337)
Administration	471,969	-	-	(471,969)
Fiscal	423,494	-	-	(423,494)
Operation and Maintenance of Plant	1,242,787	-	-	(1,242,787)
Pupil Transportation	1,374,368	-	-	(1,374,368)
Central	5,985	-	-	(5,985)
Non-Instructional Services	664,047	303,179	351,371	(9,497)
Extracurricular Activities	392,269	133,827	-	(258,442)
Interest and Fiscal Charges	818,316	-	-	(818,316)
Total Governmental Activities	\$ 18,617,937	\$ 459,501	\$ 2,930,630	(15,227,806)

General Revenues:

Property Taxes Levied for General Purposes	3,421,081
Property Taxes Levied for Classroom Facilities Purposes	69,533
Property Taxes Levied for Debt Service Purposes	807,129
Property Taxes Levied for Permanent Improvement Purposes	174,315
Income Taxes Levied for General Purposes	915,496
Grants and Entitlements not Restricted to Specific Programs	9,089,549
Interest	46,804
Gifts and Donations	6,415
Miscellaneous	434,284
Total General Revenues	14,964,606
 Change in Net Assets	 (263,200)
 Net Assets at Beginning of Year - Restated (Note 3)	 53,754,534
Net Assets at End of Year	\$ 53,491,334

See Accompanying Notes to the Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Bond Retirement	Building Construction	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,068,652	\$ 368,356	\$ 1,559,864	\$ 9,275,031	\$ 2,512,305	\$ 15,784,208
Accounts Receivable	30,560	-	-	-	151	30,711
Accrued Interest Receivable	215	-	3,029	4,727	-	7,971
Intergovernmental Receivable	22,813	-	-	436,095	869,005	1,327,913
Income Taxes Receivable	381,559	-	-	-	-	381,559
Interfund Receivable	521	-	-	-	-	521
Prepaid Items	3,373	-	-	-	-	3,373
Inventory Held for Resale	-	-	-	-	37,590	37,590
Materials and Supplies Inventory	60,464	-	-	-	3,312	63,776
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	1,044,607	-	-	-	-	1,044,607
Cash and Cash Equivalents with Escrow Agents	-	-	-	103,501	-	103,501
Property Taxes Receivable	3,631,171	873,956	-	-	206,698	4,711,825
Total Assets	\$ 7,243,935	\$ 1,242,312	\$ 1,562,893	\$ 9,819,354	\$ 3,629,061	\$ 23,497,555
Liabilities and Fund Balances:						
Liabilities						
Accounts Payable	\$ 77,173	\$ -	\$ 3,818	\$ 45,116	\$ 16,146	\$ 142,253
Contracts Payable	-	-	174,872	3,216,854	-	3,391,726
Accrued Wages and Benefits Payable	1,402,463	-	-	-	172,323	1,574,786
Matured Compensated Absences Payable	456	-	-	-	-	456
Intergovernmental Payable	472,761	-	104	744	30,334	503,943
Interfund Payable	-	-	-	-	521	521
Deferred Revenue	2,946,561	700,488	3,029	436,095	698,821	4,784,994
Retainage Payable	-	-	-	607,906	-	607,906
Payable from Restricted Assets:						
Retainage Payable	-	-	-	103,501	-	103,501
Total Liabilities	4,899,414	700,488	181,823	4,410,216	918,145	11,110,086
Fund Balances:						
Nonspendable	63,837	-	-	-	40,902	104,739
Restricted	1,044,607	541,824	1,381,070	5,409,138	891,369	9,268,008
Committed	-	-	-	-	1,794,675	1,794,675
Assigned	53,633	-	-	-	-	53,633
Unassigned (Deficit)	1,182,444	-	-	-	(16,030)	1,166,414
Total Fund Balances	2,344,521	541,824	1,381,070	5,409,138	2,710,916	12,387,469
Total Liabilities and Fund Balances	\$ 7,243,935	\$ 1,242,312	\$ 1,562,893	\$ 9,819,354	\$ 3,629,061	\$ 23,497,555

See Accompanying Notes to the Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances \$ 12,387,469

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 55,663,992

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	9,478	
Accrued Interest Receivable	3,029	
Intergovernmental Receivable	966,584	
Income Taxes Receivable	54,978	
Property Taxes Receivable	<u>577,738</u>	
		1,611,807

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 198,139

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(62,889)	
General Obligation Bonds Payable	(15,348,110)	
Compensated Absences Payable	(924,716)	
Capital Leases Payable	<u>(34,358)</u>	
		<u>(16,370,073)</u>

Net Assets of Governmental Activities \$ 53,491,334

See Accompanying Notes to the Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Bond Retirement	Building Construction	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Revenues:						
Property Taxes	\$ 3,291,603	\$ 791,071	\$ -	\$ -	\$ 300,372	\$ 4,383,046
Income Taxes	920,591	-	-	-	-	920,591
Intergovernmental	8,995,768	115,908	-	1,801,426	2,877,223	13,790,325
Interest	28,969	-	3,064	45,569	-	77,602
Tuition and Fees	28,471	-	-	-	-	28,471
Extracurricular Activities	5,518	-	-	-	133,827	139,345
Charges for Services	-	-	-	-	303,179	303,179
Gifts and Donations	6,415	-	-	-	-	6,415
Miscellaneous	434,457	-	-	-	-	434,457
Total Revenues	13,711,792	906,979	3,064	1,846,995	3,614,601	20,083,431
Expenditures:						
Current:						
Instruction:						
Regular	6,512,034	-	-	-	751,877	7,263,911
Special	2,002,401	-	-	-	762,434	2,764,835
Vocational	187,252	-	-	-	-	187,252
Support Services:						
Pupils	415,797	-	-	-	448,999	864,796
Instructional Staff	567,714	-	-	-	185,276	752,990
Board of Education	212,337	-	-	-	-	212,337
Administration	463,335	-	-	-	-	463,335
Fiscal	369,221	24,940	-	-	12,851	407,012
Operation and Maintenance of Plant	1,197,926	-	-	-	118,453	1,316,379
Pupil Transportation	1,244,550	-	-	-	-	1,244,550
Central	-	-	-	-	5,985	5,985
Non-Instructional Services	-	-	-	-	642,407	642,407
Extracurricular Activities	234,518	-	-	-	121,848	356,366
Capital Outlay	1,175	-	1,326,778	24,931,650	-	26,259,603
Debt Service:						
Principal Retirement	16,000	85,000	-	-	-	101,000
Interest and Fiscal Charges	1,526	755,944	-	-	-	757,470
Total Expenditures	13,425,786	865,884	1,326,778	24,931,650	3,050,130	43,600,228
Excess of Revenues Over (Under) Expenditures	286,006	41,095	(1,323,714)	(23,084,655)	564,471	(23,516,797)
Other Financing Source:						
Sale of Capital Assets	56,345	-	-	-	-	56,345
Changes in Fund Balances	342,351	41,095	(1,323,714)	(23,084,655)	564,471	(23,460,452)
Fund Balances at Beginning of Year - Restated (Note 3)	2,002,170	500,729	2,704,784	28,493,793	2,146,445	35,847,921
Fund Balances at End of Year	\$ 2,344,521	\$ 541,824	\$ 1,381,070	\$ 5,409,138	\$ 2,710,916	\$ 12,387,469

See Accompanying Notes to the Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Changes in Fund Balances - Total Governmental Funds \$ (23,460,452)

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

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	25,380,654	
Capital Outlay - Depreciable Capital Assets	221,327	
Depreciation	<u>(433,514)</u>	25,168,467

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities

Proceeds from Sale of Capital Assets	(56,345)	
Loss on Disposal of Capital Assets	<u>(168,598)</u>	(224,943)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	89,012	
Income Taxes	(5,095)	
Intergovernmental	(1,775,664)	
Interest	(30,798)	
Tuition and Fees	(5,976)	
Miscellaneous	<u>(173)</u>	(1,728,694)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds	85,000	
Capital Leases	<u>16,000</u>	101,000

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	213	
Annual Accretion on Capital Appreciation Bonds	(61,912)	
Amortization of Premium	3,299	
Amortization of Discount	<u>(1,312)</u>	(59,712)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.

(1,134)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(57,732)

Change in Net Assets of Governmental Activities \$ (263,200)

See Accompanying Notes to the Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 3,025,000	\$ 3,135,000	\$ 3,167,159	\$ 32,159
Income Taxes	900,000	900,000	918,134	18,134
Intergovernmental	9,004,000	8,994,000	8,995,768	1,768
Interest	75,000	29,000	29,189	189
Tuition and Fees	35,900	28,000	28,640	640
Extracurricular Activities	8,000	5,500	5,518	18
Gifts and Donations	9,250	9,250	6,283	(2,967)
Miscellaneous	107,250	130,595	146,469	15,874
Total Revenues	<u>13,164,400</u>	<u>13,231,345</u>	<u>13,297,160</u>	<u>65,815</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,544,198	6,534,104	6,618,844	(84,740)
Special	1,898,362	1,898,362	2,028,057	(129,695)
Vocational	180,198	180,198	187,332	(7,134)
Support Services:				
Pupils	394,470	394,470	417,934	(23,464)
Instructional Staff	626,298	626,298	596,885	29,413
Board of Education	217,130	217,130	209,954	7,176
Administration	1,225,314	1,239,240	486,010	753,230
Fiscal	374,533	374,533	374,217	316
Operation and Maintenance of Plant	1,210,173	1,210,173	1,225,501	(15,328)
Pupil Transportation	1,230,310	1,230,310	1,255,870	(25,560)
Extracurricular Activities	209,615	209,615	235,710	(26,095)
Capital Outlay	10,300	10,300	3,375	6,925
Total Expenditures	<u>14,120,901</u>	<u>14,124,733</u>	<u>13,639,689</u>	<u>485,044</u>
Excess of Revenues				
Under Expenditures	<u>(956,501)</u>	<u>(893,388)</u>	<u>(342,529)</u>	<u>550,859</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	-	36,905	36,095	(810)
Refund of Prior Year Expenditures	200,000	285,000	297,141	12,141
Other Financing Uses	(50,000)	(50,000)	-	50,000
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>271,905</u>	<u>333,236</u>	<u>61,331</u>
Changes in Fund Balance	(806,501)	(621,483)	(9,293)	612,190
Fund Balance at Beginning of Year	3,025,474	3,025,474	3,025,474	-
Prior Year Encumbrances Appropriated	32,192	32,192	32,192	-
Fund Balance at End of Year	<u>\$ 2,251,165</u>	<u>\$ 2,436,183</u>	<u>\$ 3,048,373</u>	<u>\$ 612,190</u>

See Accompanying Notes to the Basic Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 10,379	\$ 24,881
<u>Liabilities:</u>		
Undistributed Assets	-	2,522
Due to Students	-	22,359
Total Liabilities	-	\$ 24,881
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$ 10,379	

See Accompanying Notes to the Basic Financial Statements

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Additions:</u>	
Gifts and Donations	\$ 16,955
 <u>Deductions:</u>	
Non-Instructional Services	<u>15,201</u>
Change in Net Assets	1,754
Net Assets at Beginning of Year - Restated (Note 3)	<u>8,625</u>
Net Assets at End of Year	<u>\$ 10,379</u>

See Accompanying Notes to the Basic Financial Statements

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**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Note 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 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 272nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty-five classified employees, one hundred nineteen certified teaching personnel, and ten administrative employees who provide services to 1,874 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 organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's 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 three jointly governed organizations, an insurance pool, and is associated with a related organization. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Metropolitan Educational Council, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Selover Public Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major funds are the General Fund, Bond Retirement debt service fund, and the Building Construction and Ohio School Facilities Commission capital projects funds.

General Fund - The General Fund 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.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

Building Construction Fund - The Building Construction Fund is used to account for bond proceeds restricted for the construction of a new high school and the renovation of the elementary, middle, and current high school.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund is used to account for grant resources restricted for the construction of a high school and the renovation of the elementary, middle, and current high school.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 nonexchange 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: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

F. 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

During fiscal year 2011, the School District invested in federal agency securities, U.S. Treasury securities, mutual funds, and STAR Ohio. Investments are reported at fair value which is based on quoted market price or current share price. 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, 2011.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$28,969, which includes \$14,212 assigned from other School District funds.

Investments of the School District's 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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for the purchase of textbooks and instructional materials, as well as unexpended revenues restricted for bus purchases.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. 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.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 40 years
Buildings and Building Improvements	20 - 100 years
Furniture, Fixtures, and Equipment	5 - 50 years
Vehicles	10 - 15 years

K. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

L. 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 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.

The entire compensated absences liability is reported on the government-wide financial statements.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

N. Unamortized Issuance Costs, Premiums, and Discounts

On government-wide financial statements, issuance costs, premiums, and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction of the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the period when the debt is issued.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

Q. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets

A. Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets (continued)

B. Restatement of Fund Balance/Net Assets

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Building Construction	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,976,654	\$500,729	\$2,704,784	\$28,493,793	\$2,177,491	\$35,853,451
Change in Fund Structure	25,516	0	0	0	(31,046)	(5,530)
Adjusted Fund Balance at June 30, 2010	<u>\$2,002,170</u>	<u>\$500,729</u>	<u>\$2,704,784</u>	<u>\$28,493,793</u>	<u>\$2,146,445</u>	<u>\$35,847,921</u>

The restatement had the following effect on net assets.

	Total Governmental Activities	Private Purpose Trust
Net Assets at June 30, 2010	\$53,760,064	\$0
Change in Fund Structure	(5,530)	8,625
Restated Net Assets at June 30, 2010	<u>\$53,754,534</u>	<u>\$8,625</u>

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2011, the School Net Connectivity and School Counseling Grant special revenue funds had deficit fund balances, in the amount of \$5,000 and \$11,030, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2011.

Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Special Revenue Funds			
Title I	\$577,934	\$579,686	\$1,752
School Counseling Grant	480,596	482,389	1,793
Title II-D	1,669	1,698	29

The Treasurer will review budgetary activity to ensure that appropriations are within estimated resources.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 4 - Accountability and Compliance (continued)

The following funds had expenditures (including encumbrances) in excess of appropriations for the fiscal year ended June 30, 2011:

	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
Food Service	\$647,060	\$651,343	\$4,283
Education Management Information Systems	5,000	5,904	904
School Net Connectivity	11,375	12,807	1,432
Fiscal Stabilization	687,160	687,170	10

The Treasurer will review budgetary activity to ensure that expenditures are within amounts appropriated.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$342,351
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	982,016
Accrued FY 2011, Not Yet Received in Cash	(1,119,757)
	(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance

Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(\$2,129,980)
Accrued FY 2011, Not Yet Paid in Cash	1,952,853
Prepaid Items	3,304
Materials and Supplies Inventory	25,327
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(65,407)
Budget Basis	<u><u>(\$9,293)</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District 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;
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;

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 - Deposits and Investments (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

Investments

As of June 30, 2011, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$500,000	07/08/11
Federal Home Loan Bank Notes	424,992	07/29/11
Federal Home Loan Bank Notes	999,970	08/24/11
Federal Home Loan Bank Notes	251,883	09/16/11
Federal Home Loan Bank Notes	250,113	10/28/11
Federal Home Loan Mortgage Corporation Notes	525,000	07/07/11
Federal Home Loan Mortgage Corporation Notes	399,996	07/12/11
Federal Home Loan Mortgage Corporation Notes	499,990	08/01/11
Federal Home Loan Mortgage Corporation Notes	399,988	08/16/11
Federal Home Loan Mortgage Corporation Notes	449,987	08/17/11
Federal Home Loan Mortgage Corporation Notes	999,940	09/08/11
Federal Home Loan Mortgage Corporation Notes	599,940	10/03/11
Federal Home Loan Mortgage Corporation Notes	249,975	10/03/11
Federal Home Loan Mortgage Corporation Notes	339,918	11/01/11
Federal National Mortgage Association Notes	351,508	08/15/11
Federal National Mortgage Association Notes	424,987	08/24/11
Federal National Mortgage Association Notes	249,985	09/06/11
Federal National Mortgage Association Notes	250,908	11/23/11
U.S. Treasury Notes	499,995	07/21/11
Mutual Funds	4,298,486	35 Days
Star Ohio	2,639,983	58.3 Days
Total Investments	<u>\$15,607,544</u>	

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 - Deposits and Investments (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and U.S. Treasury Bills carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$2,426,958	15.55%
Federal Home Loan Mortgage Corporation	4,464,734	28.61
Federal National Mortgage Association	1,277,388	8.18
U.S. Treasury	499,995	3.20

Note 7 - Receivables

Receivables at June 30, 2011, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, interfund, and property taxes. 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. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
State of Ohio	\$2,683
Miscellaneous	20,130
Total General Fund	22,813

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 7 - Receivables (continued)

	<u>Amount</u>
Governmental Activities (continued)	
Major Funds (continued)	
Ohio School Facilities Commission	
Ohio School Facilities Commission	\$436,095
Total Major Funds	<u>458,908</u>
Other Governmental Funds	
Education Jobs	494,573
Race to the Top	35,916
Idea Part B	179,516
Title I	135,000
Title II-A	<u>24,000</u>
Total Other Governmental Funds	<u>869,005</u>
Total Intergovernmental Receivables	<u><u>\$1,327,913</u></u>

Note 8 - 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.

Note 9 - 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.

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 property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 9 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2011.

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$747,383 in the General Fund, \$14,667 in the Classroom Facilities special revenue fund, \$173,078 in the Bond Retirement debt service fund, and \$23,602 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$618,844 in the General Fund, \$14,394 in the Classroom Facilities special revenue fund, \$170,182 in the Bond Retirement debt service fund, and \$139,240 in the Permanent Improvement capital projects fund.

For fiscal year 2011, the amount of the late personal property tax settlement made by the counties was \$1,683 in the General Fund, \$44 in the Classroom Facilities special revenue fund, \$390 in the Bond Retirement debt service fund, and \$53 in the Permanent Improvement capital projects fund. For fiscal year 2010, the amount of the late personal property tax settlement made by the counties was \$5,778 in the General Fund, \$180 in the Classroom Facilities special revenue fund, \$1,589 in the Bond Retirement debt service fund, and \$1,300 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$181,970,890	90.89%	\$183,662,530	90.80%
Industrial/Commercial	13,814,290	6.90	13,965,010	6.90
Public Utility	4,424,740	2.21	4,651,750	2.30
Total Assessed Value	<u>\$200,209,920</u>	<u>100.00%</u>	<u>\$202,279,290</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.50		\$24.50	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$383,389	\$0	\$0	\$383,389
Construction in Progress	17,779,459	25,380,654	0	43,160,113
Total Nondepreciable Capital Assets	<u>18,162,848</u>	<u>25,380,654</u>	<u>0</u>	<u>43,543,502</u>
Depreciable Capital Assets				
Land Improvements	286,148	8,050	0	294,198
Buildings and Building Improvements	14,403,865	17,517	(213,480)	14,207,902
Furniture, Fixtures, and Equipment	1,022,304	108,010	(302,070)	828,244
Vehicles	1,963,804	87,750	0	2,051,554
Total Depreciable Capital Assets	<u>17,676,121</u>	<u>221,327</u>	<u>(515,550)</u>	<u>17,381,898</u>
Less Accumulated Depreciation				
Land Improvements	(93,550)	(13,037)	0	(106,587)
Buildings and Building Improvements	(2,921,534)	(249,246)	21,700	(3,149,080)
Furniture, Fixtures, and Equipment	(717,169)	(51,138)	268,907	(499,400)
Vehicles	(1,386,248)	(120,093)	0	(1,506,341)
Total Accumulated Depreciation	<u>(5,118,501)</u>	<u>(433,514)</u>	<u>290,607</u>	<u>(5,261,408)</u>
Depreciable Capital Assets, Net	<u>12,557,620</u>	<u>(212,187)</u>	<u>(224,943)</u>	<u>12,120,490</u>
Governmental Activities Capital Assets, Net	<u>\$30,720,468</u>	<u>\$25,168,467</u>	<u>(\$224,943)</u>	<u>\$55,663,992</u>

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$161,704
Special	13,877
Vocational	4,550
Support Services:	
Pupils	1,663
Instructional Staff	14,997
Administration	18,007
Fiscal	4,323
Operation and Maintenance of Plant	27,959
Pupil Transportation	137,175
Non-Instructional Services	14,306
Extracurricular Activities	34,953
Total Depreciation Expense	<u>\$433,514</u>

Note 11 - Interfund Activity

At June 30, 2011, the General Fund had an interfund receivable, in the amount of \$521, from other governmental funds for short-term loans made to those funds. This amount is expected to be repaid within one year.

Note 12- 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 2011, the School District contracted for the following insurance coverage.

Coverage purchased from Argonaut Insurance Group is as follows:

Buildings and Contents - replacement cost	\$37,998,000
Automobile Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Excess School District Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

Coverage purchased from The Hartford Insurance Group is as follows:

Builder's Risk	\$44,524,427
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**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 12- Risk Management (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2011, 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. 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.

Note 13 - Significant Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2011:

Vendor	Contract Amount	Amount Paid as of 6/30/11	Outstanding Balance
Adena Corporation	\$4,181,690	\$1,487,688	\$2,694,002
Beacon Electric Company	390,041	0	390,041
Continental Office	941,077	0	941,077
Deer Creek Excavating	642,568	17,301	625,267
Loopmaster International, Inc.	112,464	1,011	111,453
Michael Shuster Associates	215,039	61,667	153,372
Settle Muter Electric	1,076,372	737,876	338,496
Stonecreek Interior Systems	424,856	263,731	161,125
The Quandel Group, Inc.	521,906	207,265	314,641
TP Mechanical Contractors	732,592	378,987	353,605
Zimmerman School Equipment	113,743	0	113,743

Note 14 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$870,439 and \$30,992 for the fiscal year ended June 30, 2011, \$874,089 and \$30,015 for the fiscal year ended June 30, 2010, and \$894,679 for the fiscal year ended June 30, 2009. For fiscal year 2011, 83 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$17,962 made by the School District and \$12,830 made by the plan members. In addition, member contributions of \$22,137 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$262,025, \$274,700, and \$195,387, respectively. For fiscal year 2011, 34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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, 2011, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$70,723, \$71,317, and \$70,076, respectively. For fiscal year 2011, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 15 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$33,975 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$31,727, \$9,887, and \$89,418, respectively. For fiscal year 2011, 34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$16,862, \$16,336, and \$16,121, respectively. For fiscal year 2011, 34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 16 - Other Employee Benefits (continued)

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 forty-two days for classified employees and two hundred forty-eight days for certified employees. Upon retirement, payment is made for one-fourth of their accrued but unused sick leave credit to a maximum of sixty and one-half days for classified employees and sixty-two days for certified employees.

B. Health Care Benefits

The School District offers life insurance and accidental death and dismemberment insurance to all employees through School Claims Service. The School District offers employee medical/surgical benefits through Anthem Blue Cross/Blue Shield. 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 Metropolitan Insurance.

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement Bonds FY 2009					
Serial Bonds 3-4.5%	\$1,910,000	\$0	\$85,000	\$1,825,000	\$95,000
Term Bonds 5.25-5.50%	12,665,000	0	0	12,665,000	0
Capital Appreciation Bonds 13.12%	365,000	0	0	365,000	0
Accretion on Capital Appreciation Bonds	83,950	61,912	0	145,862	0
Bond Premium	579,806	0	3,299	576,507	0
Bond Discount	(230,571)	0	(1,312)	(229,259)	0
Total General Obligation Bonds	15,373,185	61,912	86,987	15,348,110	95,000
Compensated Absences Payable	866,984	179,889	122,157	924,716	150,977
Capital Leases Payable	50,358	0	16,000	34,358	16,774
Total Governmental Activities Long-Term Obligations	<u>\$16,290,527</u>	<u>\$241,801</u>	<u>\$225,144</u>	<u>\$16,307,184</u>	<u>\$262,751</u>

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 17 - Long-Term Obligations (continued)

School Facilities Construction and Improvement Bonds FY 2009 - On November 25, 2008, the School District issued \$15,000,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$1,970,000, \$12,665,000, and \$365,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2037. The bonds will be retired through the Bond Retirement debt service fund.

As of June 30, 2011, the School District had unspent bond proceeds, in the amount of \$5,613,212.

The serial bonds are subject to prior redemption on or after December 1, 2019, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date on or after December 1, 2018, in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The bonds maturing on December 1, 2028, 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 the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2023	\$520,000
2024	635,000
2025	685,000
2026	740,000
2027	790,000

The remaining principal, in the amount of \$830,000, will be paid at stated maturity on December 1, 2028.

The bonds maturing on December 1, 2033, 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 the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2029	\$875,000
2030	920,000
2031	970,000
2032	1,025,000

The remaining principal, in the amount of \$1,075,000, will be paid at stated maturity on December 1, 2033.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 17 - Long-Term Obligations (continued)

The bonds maturing on December 1, 2036, 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 the respective principal amounts as follows:

Year	Amount
2034	\$1,135,000
2035	1,200,000

The remaining principal, in the amount of \$1,265,000, will be paid at stated maturity on December 1, 2036.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2020 through 2023. The maturity amount of the bonds is \$1,840,000. For fiscal year 2011, \$61,912 was accreted on the capital appreciation bonds for a total value of \$510,862 at fiscal year end.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

The School District's overall debt margin was \$3,473,303 with an unvoted debt margin of \$197,628 at June 30, 2011.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2011, were as follows:

Fiscal Year Ending	General Obligation Bonds	
	Principal	Interest
2012	\$95,000	\$753,125
2013	155,000	748,869
2014	175,000	742,875
2015	195,000	735,938
2016	250,000	727,281
2017-2021	1,145,000	4,123,813
2022-2026	2,015,000	4,083,731
2027-2031	4,155,000	2,392,772
2032-2036	5,405,000	1,116,525
2037	1,265,000	34,788
Totals	\$14,855,000	\$15,459,717

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2011 were \$16,000.

	Governmental Activities
Equipment	\$80,180
Less Accumulated Depreciation	(52,117)
Carrying Value, June 30, 2011	\$28,063

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

	Governmental Activities	
	Principal	Interest
2012	\$16,774	\$1,336
2013	17,584	526
Total	\$34,358	\$1,862

Note 19 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Building Construction	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Nonspendable for:						
Inventory Held for Resale	\$0	\$0	\$0	\$0	\$37,590	\$37,590
Materials and Supplies						
Inventory	60,464	0	0	0	3,312	63,776
Prepaid Items	3,373	0	0	0	0	3,373
Total Nonspendable	63,837	0	0	0	40,902	104,739

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 19 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Building Construction	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Restricted for:						
Athletics and Music	\$0	\$0	\$0	\$0	\$63,433	\$63,433
Building Construction	0	0	1,381,070	5,409,138	0	6,790,208
Bus Purchase	2,170	0	0	0	0	2,170
Debt Retirement	0	541,824	0	0	0	541,824
Education Management						
Information Systems	0	0	0	0	5,264	5,264
Food Service Operations	0	0	0	0	151,358	151,358
Regular Instruction	0	0	0	0	23,658	23,658
School Facilities Maintenance						
Maintenance	0	0	0	0	422,348	422,348
Special Instruction	0	0	0	0	225,308	225,308
Textbooks and Instructional Materials						
Instructional Materials	1,042,437	0	0	0	0	1,042,437
Total Restricted	1,044,607	541,824	1,381,070	5,409,138	891,369	9,268,008
Committed for:						
Building Construction	0	0	0	0	1,794,675	1,794,675
Assigned for:						
Educational Activities	20,248	0	0	0	0	20,248
Extracurricular Activities	3,788	0	0	0	0	3,788
Unpaid Obligations	29,597	0	0	0	0	29,597
Total Assigned	53,633	0	0	0	0	53,633
Unassigned (Deficit):	1,182,444	0	0	0	(16,030)	1,166,414
Total Fund Balance	\$2,344,521	\$541,824	\$1,381,070	\$5,409,138	\$2,710,916	\$12,387,469

Note 20 - Set Asides

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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 20 - Set Asides (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	\$874,404	\$0
Current Year Set Aside Requirement	279,647	279,647
Qualifying Expenditures	(111,614)	(3,375)
Current Year Offsets	0	(276,272)
Balance June 30, 2011	\$1,042,437	\$0

Note 21 - 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. During fiscal year 2011, the School District paid \$254,908 to TRECA for various services. Financial information can be obtained from TRECA, 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 Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred sixty school districts, libraries, and related agencies in thirty-one counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by School Districts. The governing board of the MEC consists of one representative from each member School District. All member School Districts must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 CityGate Drive, Columbus, Ohio 43219.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 22 - Insurance Pool

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.

Note 23 - Related Organization

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 the Board of Trustees appointed by the Highland 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, P.O. Box 25, Chesterville, Ohio 43317.

Note 24 - Contingencies

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, 2011.

B. Litigation

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

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**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 93,947	\$ 93,947
Cash Assistance:			
Breakfast Program	10.553	63,272	63,272
National School Lunch Program	10.555	277,009	277,009
Total Child Nutrition Cluster		<u>434,228</u>	<u>434,228</u>
Total U.S. Department of Agriculture		<u>434,228</u>	<u>434,228</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Received Direct from the U.S. Department of Education:</i>			
Safe and Drug-Free Schools and Communities	84.184L	-	340
Elementary and Secondary School Counseling Program	84.215E	434,306	435,710
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	292,019	273,501
ARRA - Title I Grants to Local Educational Agencies	84.389	127,274	142,620
Total Title I Grants Cluster		<u>419,293</u>	<u>416,122</u>
Special Education Grants to States	84.027	293,336	298,627
ARRA - Special Education Grants to States	84.391	168,710	210,432
Total Special Education Grants to States Cluster		<u>462,046</u>	<u>509,059</u>
Safe and Drug-Free Schools and Communities			
State Grants for Innovative Programs	84.186	-	1,813
Education Technology State Grant	84.318	1,077	1,669
Improving Teacher Quality	84.367	55,588	55,552
ARRA - State Fiscal Stabilization Fund	84.394	687,170	687,170
Total U.S. Department of Education		<u>2,059,480</u>	<u>2,107,434</u>
Total		<u>\$ 2,493,708</u>	<u>\$ 2,541,662</u>

The accompanying notes are an integral part of this schedule.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Highland Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Board of Education
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 governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2012, wherein we noted the District adopted Government Accounting Standard 54 which resulted in reclassification to governmental fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 31, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 31, 2012



Dave Yost • Auditor of State

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

Board of Education
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 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 could directly and materially affect each of the Highland Local School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

As described in finding 2011-01 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding activities allowed or unallowed applicable to its Title I Grants to Local Education Entities major program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Highland Local School District, Morrow County, Ohio, complied, in all material respects, with the requirements referred to above applicable to each of its major federal programs for the year ended June 30, 2011.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.auditor.state.oh.us

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

January 31, 2012

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Title I Cluster -Activities Allowed or Unallowed Unqualified – Special Education Cluster and State Fiscal Stabilization
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027 and #84.391 – Special Education Cluster (IDEA) CFDA #84.394 – State Fiscal Stabilization CFDA #84.010 and #84.389 – Title I Part A Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	Finding 2011-01
CFDA Title and Number	Title I, #84.010 & #84.389
Federal Award Number / Year	C1S1 – 2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**Activities Allowed or Unallowed
Material Weakness/Noncompliance Finding/Question Cost**

2 C.F.R. Part 225, Appendix B subsection 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, a distribution of compensation shall be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

The District paid the salary and fringe benefits of eight IDEA-B and one Title IIA teachers who did not work on Title I activities, and therefore were ineligible to be paid out of Title I funds. These employees signed the semiannual certificates as IDEA-B and Title IIA teachers.

The District also paid the salary and fringe benefits for two employees, who did not solely work on one federal cost objective. These employees did not complete time and effort sheets.

As a result, questioned costs for funds not spent for allowable activities/cost are:

Non-ARRA Title I	29,413
ARRA Title I	25,119
Total	\$54,532
13% of total Title I Expenditures	

Compliance with grant requirements can be enhanced with appropriate training and review of grant requirements related to Title I funds.

We recommend that the District review requirements related to Title I and pay salaries and fringe benefits of employees with the certification to be Title I teachers. We also recommend that employees not paid 100% from Title I funds complete time and effort sheets. Periodic review of allowable activities should be reviewed and communicated between the District Treasurer, assigned grant coordinators, and employees.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Official's Response and Corrective Action Plan:

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	<p>The District miscoded the eight employees for one pay period on 9/25/10, for a total of \$4,951. These individuals should have been coded as 516 IDEA instead of 572 Title I. The Treasurer and payroll administrator will confirm with each other proper coding when making pay account changes to employees.</p> <p>The District has all employees working on federal programs sign twice during the year a certification instead of time and effort sheets. The District is creating its own time and effort sheet and will have those employees identified in the report complete and sign these for fiscal 2011. The Treasurer and payroll administrator will identify and instruct any future employees being paid in part by a grant to complete such form.</p>	February 24, 2012	Jon Mason, Treasurer

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Highland Local School District, Morrow County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2012

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Dave Yost • Auditor of State

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
MARCH 8, 2012