



**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

SINGLE AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

REPORT INDEPENDENT ACCOUNTANTS

Board of Education
Highland Local School District
Morrow County
6506 State Road 229
PO Box 98
Sparta, Ohio 43350-0098

We have audited the accompanying general purpose financial statements of the Highland Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State

November 3, 2000

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**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,532,242	\$359,460	\$696,546	\$339,560
Cash and Cash Equivalents with Fiscal Agents	0	740	2,281	0
<u>Receivables:</u>				
Income Taxes	234,701	0	0	0
Property Taxes	2,734,660	23,418	433,793	0
Accounts	614	117	0	0
Intergovernmental	11,418	2,293	0	0
Prepaid Items	68,523	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	62,629	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	173,262	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	\$5,818,049	\$386,028	\$1,132,620	\$339,560

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$70,761	\$21,324	\$0	\$0	\$4,019,893
0	0	0	0	3,021
0	0	0	0	234,701
0	0	0	0	3,191,871
4,450	0	0	0	5,181
0	0	0	0	13,711
3,960	0	0	0	72,483
19,765	0	0	0	19,765
3,250	0	0	0	65,879
0	0	0	0	173,262
13,502	0	15,914,092	0	15,927,594
0	0	0	745,004	745,004
0	0	0	2,807,434	2,807,434
<u>\$115,688</u>	<u>\$21,324</u>	<u>\$15,914,092</u>	<u>\$3,552,438</u>	<u>\$27,279,799</u>

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$39,221	\$8,867	\$0	\$1,800
Accrued Wages and Benefits	892,026	29,299	0	0
Compensated Absences Payable	6,003	0	0	0
Intergovernmental Payable	167,084	850	0	0
Deferred Revenue	2,498,549	20,678	385,335	0
Undistributed Assets	0	0	0	0
Due to Students	0	0	0	0
Matured Interest Payable	0	0	2,281	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,602,883	59,694	387,616	1,800
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	220,354	2,569	45,212	0
Reserved for Inventory	62,629	0	0	0
Reserved for Capital Improvements	56,030	0	0	0
Reserved for Budget Stabilization	117,232	0	0	0
Reserved for Encumbrances	37,844	68,132	0	212,835
Designated for Capital Improvements	273	0	0	0
Designated for Budget Stabilization	132,768	0	0	0
Unreserved, Undesignated	1,588,036	255,633	699,792	124,925
Total Fund Equity and Other Credits	2,215,166	326,334	745,004	337,760
Total Liabilities, Fund Equity, and Other Credits	\$5,818,049	\$386,028	\$1,132,620	\$339,560

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$108	\$0	\$0	\$0	\$49,996
28,205	0	0	0	949,530
15,024	0	0	625,700	646,727
27,326	0	0	66,738	261,998
11,975	0	0	0	2,916,537
0	650	0	0	650
0	20,674	0	0	20,674
0	0	0	0	2,281
0	0	0	2,860,000	2,860,000
<u>82,638</u>	<u>21,324</u>	<u>0</u>	<u>3,552,438</u>	<u>7,708,393</u>
0	0	15,914,092	0	15,914,092
33,050	0	0	0	33,050
0	0	0	0	268,135
0	0	0	0	62,629
0	0	0	0	56,030
0	0	0	0	117,232
0	0	0	0	318,811
0	0	0	0	273
0	0	0	0	132,768
0	0	0	0	2,668,386
<u>33,050</u>	<u>0</u>	<u>15,914,092</u>	<u>0</u>	<u>19,571,406</u>
<u>\$115,688</u>	<u>\$21,324</u>	<u>\$15,914,092</u>	<u>\$3,552,438</u>	<u>\$27,279,799</u>

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Revenues:</u>					
Income Taxes	\$587,425	\$0	\$0	\$0	\$587,425
Property Taxes	1,784,335	21,217	383,231	0	2,188,783
Intergovernmental	6,555,310	652,818	48,290	161,216	7,417,634
Interest	211,539	0	0	17,610	229,149
Tuition and Fees	1,571	0	0	0	1,571
Extracurricular Activities	0	145,902	0	0	145,902
Gifts and Donations	0	28,051	0	0	28,051
Miscellaneous	108,406	15,132	0	0	123,538
Total Revenues	9,248,586	863,120	431,521	178,826	10,722,053
<u>Expenditures:</u>					
<u>Current:</u>					
<u>Instruction:</u>					
Regular	3,661,894	76,630	0	5,811	3,744,335
Special	974,800	288,321	0	0	1,263,121
Vocational	221,788	0	0	0	221,788
<u>Support Services:</u>					
Pupils	168,225	16,763	0	0	184,988
Instructional Staff	345,875	179,662	0	6,000	531,537
Board of Education	136,945	0	0	0	136,945
Administration	736,323	87,463	0	0	823,786
Fiscal	170,037	80	11,530	0	181,647
Operation and Maintenance of Plant	850,901	0	0	42,642	893,543
Pupil Transportation	966,960	16,960	0	0	983,920
Central	0	20,372	0	0	20,372
Extracurricular Activities	138,783	80,829	0	0	219,612
Capital Outlay	31,861	0	0	333,050	364,911
<u>Debt Service:</u>					
Principal Retirement	0	0	156,536	0	156,536
Interest and Fiscal Charges	0	0	190,491	0	190,491
Total Expenditures	8,404,392	767,080	358,557	387,503	9,917,532
Excess of Revenues Over (Under) Expenditures	844,194	96,040	72,964	(208,677)	804,521
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	13,500	0	6,077	19,577
Operating Transfers Out	(19,577)	0	0	0	(19,577)
Total Other Financing Sources (Uses)	(19,577)	13,500	0	6,077	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	824,617	109,540	72,964	(202,600)	804,521
Fund Balances at Beginning of Year	1,406,485	216,794	672,040	540,360	2,835,679
Decrease in Reserve for Inventory	(15,936)	0	0	0	(15,936)
Fund Balances at End of Year	\$2,215,166	\$326,334	\$745,004	\$337,760	\$3,624,264

See Accompanying Notes to the General Purpose Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income Taxes	\$560,000	\$560,549	\$549	\$0	\$0	\$0
Property Taxes	1,743,328	1,743,535	207	20,864	21,036	172
Intergovernmental	6,532,978	6,556,509	23,531	656,242	643,550	(12,692)
Interest	204,000	204,169	169	0	0	0
Tuition and Fees	500	1,545	1,045	0	0	0
Extracurricular Activities	0	0	0	139,404	147,200	7,796
Gifts and Donations	0	0	0	24,800	28,051	3,251
Miscellaneous	23,000	19,959	(3,041)	17,251	15,015	(2,236)
Total Revenues	9,063,806	9,086,266	22,460	858,561	854,852	(3,709)
Expenditures:						
Current:						
Instruction:						
Regular	3,834,906	3,691,457	143,449	97,815	80,651	17,164
Special	977,107	951,650	25,457	314,334	292,469	21,865
Vocational	229,517	220,230	9,287	0	0	0
Support Services:						
Pupils	173,980	167,537	6,443	20,050	16,811	3,239
Instructional Staff	403,002	318,020	84,982	257,728	228,511	29,217
Board of Education	143,632	137,507	6,125	0	0	0
Administration	816,438	778,838	37,600	95,587	89,141	6,446
Fiscal	179,250	167,615	11,635	0	0	0
Operation and Maintenance of Plant	1,132,106	943,184	188,922	40,000	2,283	37,717
Pupil Transportation	981,919	974,632	7,287	16,960	16,960	0
Central	0	0	0	30,079	24,802	5,277
Extracurricular Activities	149,875	139,668	10,207	94,093	83,435	10,658
Capital Outlay	88,000	37,545	50,455	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,109,732	8,527,883	581,849	966,646	835,063	131,583
Excess of Revenues Over (Under) Expenditures	(45,926)	558,383	604,309	(108,085)	19,789	127,874
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	77,600	77,690	90	0	0	0
Advances In	8,594	15,820	7,226	0	0	0
Advances Out	(7,226)	(7,226)	0	0	0	0
Operating Transfers In	0	0	0	0	13,500	13,500
Operating Transfers Out	(19,577)	(19,577)	0	0	0	0
Other Financing Sources	150,000	0	(150,000)	0	0	0
Other Financing Uses	(12,463)	0	12,463	0	0	0
Total Other Financing Sources (Uses)	196,928	66,707	(130,221)	0	13,500	13,500
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	151,002	625,090	474,088	(108,085)	33,289	141,374
Fund Balances at Beginning of Year	1,746,584	1,746,584	0	207,337	207,337	0
Prior Year Encumbrances Appropriated	258,998	258,998	0	43,747	43,747	0
Fund Balances at End of Year	\$2,156,584	\$2,630,672	\$474,088	\$142,999	\$284,373	\$141,374

(continued)

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Property Taxes	381,062	381,539	477	0	0	0
Intergovernmental	47,938	48,290	352	174,520	161,216	(13,304)
Interest	0	0	0	17,500	18,046	546
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	429,000	429,829	829	192,020	179,262	(12,758)
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	82,925	21,754	61,171
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	13,560	6,000	7,560
Board of Education	0	0	0	0	0	0
Administration	15,800	11,530	4,270	0	0	0
Fiscal	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	42,642	42,642	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	573,809	529,591	44,218
Debt Service:						
Principal Retirement	156,596	156,536	60	0	0	0
Interest and Fiscal Charges	190,492	190,491	1	0	0	0
Total Expenditures	362,888	358,557	4,331	712,936	599,987	112,949
Excess of Revenues Over (Under) Expenditures	66,112	71,272	5,160	(520,916)	(420,725)	100,191
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Advances In	0	0	0	0	7,226	7,226
Advances Out	0	0	0	(15,820)	(15,820)	0
Operating Transfers In	0	0	0	0	6,077	6,077
Operating Transfers Out	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	(15,820)	(2,517)	13,303
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	66,112	71,272	5,160	(536,736)	(423,242)	113,494
Fund Balances at Beginning of Year	625,274	625,274	0	129,974	129,974	0
Prior Year Encumbrances Appropriated	0	0	0	416,820	416,820	0
Fund Balances at End of Year	\$691,386	\$696,546	\$5,160	\$10,058	\$123,552	\$113,494

See Accompanying Notes to the General Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$560,000	\$560,549	\$549
2,145,254	2,146,110	856
7,411,678	7,409,565	(2,113)
221,500	222,215	715
500	1,545	1,045
139,404	147,200	7,796
24,800	28,051	3,251
40,251	34,974	(5,277)
<u>10,543,387</u>	<u>10,550,209</u>	<u>6,822</u>
4,015,646	3,793,862	221,784
1,291,441	1,244,119	47,322
229,517	220,230	9,287
194,030	184,348	9,682
674,290	552,531	121,759
143,632	137,507	6,125
927,825	879,509	48,316
179,250	167,615	11,635
1,214,748	988,109	226,639
998,879	991,592	7,287
30,079	24,802	5,277
243,968	223,103	20,865
661,809	567,136	94,673
156,596	156,536	60
<u>190,492</u>	<u>190,491</u>	<u>1</u>
<u>11,152,202</u>	<u>10,321,490</u>	<u>830,712</u>
<u>(608,815)</u>	<u>228,719</u>	<u>837,534</u>
77,600	77,690	90
8,594	23,046	14,452
(23,046)	(23,046)	0
0	19,577	19,577
(19,577)	(19,577)	0
150,000	0	(150,000)
<u>(12,463)</u>	<u>0</u>	<u>12,463</u>
<u>181,108</u>	<u>77,690</u>	<u>(103,418)</u>
(427,707)	306,409	734,116
2,709,169	2,709,169	0
719,565	719,565	0
<u>\$3,001,027</u>	<u>\$3,735,143</u>	<u>\$734,116</u>

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Operating Revenues:</u>	
Sales	<u>\$343,758</u>
 <u>Operating Expenses:</u>	
Salaries	133,912
Fringe Benefits	80,919
Purchased Services	2,691
Materials and Supplies	1,570
Cost of Sales	279,472
Depreciation	2,948
Total Operating Expenses	<u>501,512</u>
 Operating Loss	 <u>(157,754)</u>
 <u>Non-Operating Revenues:</u>	
Federal Donated Commodities	46,386
Operating Grants	108,741
Interest	1,563
Total Non-Operating Revenues	<u>156,690</u>
 Net Loss	 (1,064)
 Retained Earnings at Beginning of Year	 <u>34,114</u>
Retained Earnings at End of Year	<u><u>\$33,050</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Sales	\$321,650	\$343,440	\$21,790
Operating Grants	113,000	109,160	(3,840)
Interest	500	1,563	1,063
Total Revenues	<u>435,150</u>	<u>454,163</u>	<u>19,013</u>
<u>Expenses:</u>			
Salaries	143,000	136,369	6,631
Fringe Benefits	76,050	74,177	1,873
Purchased Services	2,800	2,691	109
Materials and Supplies	241,471	230,497	10,974
Capital Outlay	1,700	487	1,213
Total Expenses	<u>465,021</u>	<u>444,221</u>	<u>20,800</u>
Excess of Revenues Over (Under) Expenses	(29,871)	9,942	39,813
Fund Balances at Beginning of Year	53,094	53,094	0
Prior Year Encumbrances Appropriated	5,671	5,671	0
Fund Balances at End of Year	<u>\$28,894</u>	<u>\$68,707</u>	<u>\$39,813</u>

See Accompanying Notes to the General Purpose Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$343,440
Cash Payments for Salaries	(136,369)
Cash Payments for Fringe Benefits	(74,177)
Cash Payments to Suppliers for Goods and Services	(231,621)
Net Cash Used for Operating Activities	<u>(98,727)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>109,160</u>
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Cash Flows from Investing Activities:

Cash Received from Interest	<u>1,563</u>
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Net Increase in Cash and Cash Equivalents	11,996
Cash and Cash Equivalents at Beginning of Year	<u>58,765</u>
Cash and Cash Equivalents at End of Year	<u><u>\$70,761</u></u>

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss	(\$157,754)
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Adjustments to Reconcile Operating Loss to Net

Cash Used for Operating Activities:

Depreciation	2,948
Donated Commodities Used During Year	46,386
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(318)
Increase in Prepaid Items	(31)
Decrease in Inventory Held for Resale	4,877
Decrease in Materials and Supplies Inventory	1,083
Decrease in Accounts Payable	(234)
Decrease in Accrued Wages and Benefits	(1,694)
Decrease in Compensated Absences Payable	(1,010)
Increase in Intergovernmental Payable	<u>7,020</u>
Net Cash Used for Operating Activities	<u><u>(\$98,727)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1960. The School District serves an area of approximately one hundred forty-four square miles and is located in Morrow and Delaware Counties. The School District is the 334th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventy-eight classified employees, one hundred certified teaching personnel, and seven administrative employees who provide services to 1,750 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 that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Highland Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Highland Local School District.

The School District is associated with three jointly governed organizations, an insurance pool, and a related organization. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, Highland Community Joint Recreation Board, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Selover Public Library. Information about these organizations is presented in Notes 18, 19, and 20 to the combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Type:

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

Enterprise Funds

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

Fiduciary Fund Types

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

Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2000.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations

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

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

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

During fiscal year 2000, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

The Board of Education has allocated interest earnings according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2000 was \$211,539, which included \$65,591 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

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

G. Restricted Assets

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

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

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

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance Reserves and Designations

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

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

L. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Martha Holden Jennings
- Capital Venture
- Professional Development
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Ohio SchoolNet Training
- Ohio Reads
- Alternative Schools
- School Improvement
- EPA OEFF
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Title VI-R
- Comprehensive School Reform

Capital Projects Funds

- SchoolNet Plus
- Data Communications
- Technology Equity
- Textbook/Instructional Materials
- Power Up

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- Technology E-Rate

Enterprise Fund

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 69 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

M. Interfund Transactions

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

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

The Title I special revenue fund had a deficit fund balance of \$3,190 at June 30, 2000, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$3,721 at June 30, 2000, as a result of accumulated operating losses from prior years.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower special revenue fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$824,617	\$109,540	\$72,964	(\$202,600)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	405,116	3,857	46,766	0
Accrued FY 2000, Not Yet Received in Cash	(482,376)	(5,150)	(48,458)	0
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(1,170,010)	(38,147)	0	351
Accrued FY 2000, Not Yet Paid in Cash	1,103,866	39,016	0	1,800
Cash Adjustments:				
Unrecorded Activity FY 1999	13,463	0	0	1,809
Unrecorded Activity FY 2000	(20,833)	0	0	(1,373)
Prepaid Items	(3,348)	0	0	0
Advances In	15,820	0	0	7,226
Advances Out	(7,226)	0	0	(15,820)
Excess of Revenues Over Expenditures For Nonbudgeted Funds	0	(740)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(53,999)	(75,087)	0	(214,635)
Budget Basis	<u>\$625,090</u>	<u>\$33,289</u>	<u>\$71,272</u>	<u>(\$423,242)</u>

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Over Expenses
Enterprise Funds

GAAP Basis	(\$1,064)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received in Cash FY 2000	4,551
Accrued FY 2000, Not Yet Received in Cash	(4,450)
Expense Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(66,581)
Accrued FY 2000, Not Yet Paid in Cash	70,663
Prepaid Items	(31)
Inventory Held for Resale	4,877
Materials and Supplies Inventory	1,083
Depreciation Expense	2,948
Encumbrances Outstanding at Year End (Budget Basis)	(2,054)
Budget Basis	\$9,942

5. DEPOSITS AND INVESTMENTS

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

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

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

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

At fiscal year end, the School District had \$800 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District also had \$3,021 in cash and cash equivalents which are included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". This represents \$2,281 held by Bank One, who services the School District's bond and coupon payments, and \$740 held by the Mid-Ohio Educational Service Center. The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

At fiscal year end, the carrying amount of the School District's deposits was \$6,838 and the bank balance was \$218,060. Of the bank balance, \$100,000 was covered by federal depository insurance and \$118,060 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$4,187,798.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,196,176	\$0
Cash on Hand	(800)	0
Cash and Cash Equivalents with Educational Service Center	(740)	0
Investments:		
STAR Ohio	(4,187,798)	4,187,798
GASB Statement No. 3	\$6,838	\$4,187,798

6. 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.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

7. 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, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Morrow and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$220,354 in the General Fund, \$2,569 in the Classroom Facilities special revenue fund, and \$45,212 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 1999, was \$178,978 in the General Fund, \$2,538 in the Classroom Facilities special revenue fund, and \$42,663 in the Bond Retirement debt service fund.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

Accrued property tax receivable also includes amounts for any late tax settlements made by the Counties. For fiscal year 2000, this amount was \$15,757 in the General Fund, \$171 in the Classroom Facilities special revenue fund, and \$3,246 in the Bond Retirement debt service fund. For fiscal year 1999, this amount was \$16,333 in the General Fund, \$21 in the Classroom Facilities special revenue fund, and \$4,103 in the Bond Retirement debt service fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$63,095,440	84.09 %	\$67,168,260	84.86 %
Industrial/Commercial	4,673,250	6.23	4,966,620	6.28
Public Utility	4,877,980	6.50	4,739,850	5.99
Tangible Personal	2,382,616	3.18	2,274,472	2.87
Total Assessed Value	<u>\$75,029,286</u>	<u>100.00 %</u>	<u>\$79,149,202</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$24.55		\$23.85	

8. RECEIVABLES

Receivables at June 30, 2000, consisted of both income and property taxes, accounts (student fees and billings for user charged services), and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$5,181.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Driver Education	\$300
Marion Technical College	268
Cardington-Lincoln Local School District	10,850
Total General Fund	<u>11,418</u>
Special Revenue Fund	
Technology E-Rate	2,293
Total Intergovernmental Receivables	<u>\$13,711</u>

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

9. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$178,403
Less Accumulated Depreciation	<u>(164,901)</u>
Net Fixed Assets	<u><u>\$13,502</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$141,812	\$0	\$0	\$141,812
Buildings and Improvements	2,350,525	9,291,841	0	11,642,366
Furniture, Fixtures, and Equipment	2,185,633	93,698	0	2,279,331
Books	657,821	0	0	657,821
Vehicles	1,059,728	305,284	172,250	1,192,762
Construction in Progress	<u>9,085,203</u>	<u>0</u>	<u>9,085,203</u>	<u>0</u>
Total	<u><u>\$15,480,722</u></u>	<u><u>\$9,690,823</u></u>	<u><u>\$9,257,453</u></u>	<u><u>\$15,914,092</u></u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverages:

Coverages provided by Nationwide Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$29,988,600
Inland Marine Coverage	226,500
Boiler and Machinery (\$1,000 deductible)	5,431,800
Commercial Crime	5,000
Automobile Liability (\$100 deductible)	2,000,000
Uninsured Motorist	500,000
Medical Payments - per person	5,000
General School District Liability	
Per occurrence	2,000,000
Total per year	5,000,000

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$257,804, \$244,967, and \$414,694, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$42,684, is recorded as a liability within the respective funds.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$66,951, \$86,445, and \$95,227, respectively; 46 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$35,975, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2000, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$343,739 for fiscal year 2000.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$130,459 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

		Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Asbestos Loan					
1990	0.000%	\$1,536	\$0	\$1,536	\$0
Jr. High Construction Bonds					
1980	9.125%	500,000	0	100,000	400,000
School Facilities Construction and Improvement Bonds					
1997	5.875%	2,515,000	0	55,000	2,460,000
Total Long-Term Obligations		3,016,536	0	156,536	2,860,000
Compensated Absences Payable		560,143	65,557	0	625,700
Intergovernmental Payable		76,023	66,738	76,023	66,738
Total General Long-Term Obligations		\$3,652,702	\$132,295	\$232,559	\$3,552,438

Asbestos Loan - On May 4, 1990, the School District obtained a loan, in the amount of \$39,036, for removing asbestos. The loan was obtained for a ten year period, and was fully retired in fiscal year 2000.

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

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

The School District's overall debt margin was \$5,008,432 with an unvoted debt margin of \$79,149 at June 30, 2000.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the outstanding general obligation bonds at June 30, 2000, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	160,000	177,700	337,700
2002	165,000	164,590	329,590
2003	170,000	151,163	321,163
2004	175,000	137,415	312,415
2005	80,000	127,912	207,912
2006-2010	385,000	454,697	839,697
2011-2015	0	0	0
2016-2020	1,725,000	605,860	2,330,860
Total	<u>\$2,860,000</u>	<u>\$1,819,337</u>	<u>\$4,679,337</u>

In fiscal year 1997, the School District received \$5,800,000 for construction and improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the School District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three year period. In October 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$5,800,000 to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

15. SIGNIFICANT CONTRACTUAL COMMITMENTS

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2000:

Vendor	Contract Amount	Amount Paid as of 6/30/00	Outstanding Balance
J & F Construction	\$4,558,261	\$4,431,682	\$126,579
Marr, Knapp, & Crawfis	618,741	591,719	27,022

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

16. RESERVATIONS OF FUND BALANCE

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999	\$0	\$0	\$101,967
Current Year Set Aside Requirement	179,197	179,197	15,265
Qualifying Expenditures	(179,197)	(123,167)	0
Balance June 30, 2000	<u>\$0</u>	<u>\$56,030</u>	<u>\$117,232</u>

Amounts of qualifying expenditures presented in the table, related to the textbook set aside, were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional qualifying expenditures during the year, the School District has chosen to not use this amount to reduce the set aside requirement of future years and is therefore not presented.

The total reserve balance for the set asides at the end of the fiscal year was \$173,262.

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Highland Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$316,241	\$27,517	\$343,758
Depreciation Expense	2,948	0	2,948
Operating Loss	(157,479)	(275)	(157,754)
Federal Donated Commodities	46,386	0	46,386
Operating Grants	108,741	0	108,741

(continued)

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Food Service	Uniform School Supplies	Total Enterprise Funds
Net Loss	(\$789)	(\$275)	(\$1,064)
Net Working Capital	(2,199)	36,771	34,572
Total Assets	78,809	36,879	115,688
Total Equity (Deficit)	(3,721)	36,771	33,050
Encumbrances Outstanding at Year End (Budget Basis)	500	1,554	2,054

18. JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

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

B. Tri-Rivers Joint Vocational School

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

C. Highland Community Joint Recreation Board

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

19. INSURANCE POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

20. RELATED ORGANIZATION

Selover Public Library

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

21. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$5,705,997 of school foundation support for its General Fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$6,094,675 under this program.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

21. STATE SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

22. CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

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

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	NA	10.550	\$0	\$39,650	\$0	\$46,570
National School Lunch Program	048801-03/04-PU-99/00	10.555	102,553	0	102,553	0
<i>Total Nutrition Cluster/Total United States Department of Agriculture</i>			102,553	39,650	102,553	46,570
Unites States Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	048801-6B-FY2000	84.027	95,452	0	97,759	0
Title I Grants to Local Educational Agencies	048801-C1-S1-99/00	84.010	169,080	0	166,293	0
Eisenhower Professional Development State Grants	048801-MS-S1-2000	84.281	6,835	0	432	0
Innovative Educational Program Strategies	048801-C2-S1-99/00	84.298	9,420	0	8,819	0
School Reform	048801-RF-S1-99/00	84.332	137,373	0	114,320	0
Class Reduction	048801-CR-S1-00	84.340	30,713	0	25,388	0
<i>Total United States Department of Education</i>			448,873	0	413,011	0
Total Federal Financial Assistance			\$551,426	\$39,650	\$515,564	\$46,570

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

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Board of Education
Highland Local School District
Morrow County
6506 State Road 229
PO Box 98
Sparta, Ohio 43350-0098

We have audited the financial statements of Highland Local School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10659-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 3, 2000.

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

JIM PETRO
Auditor of State

November 3, 2000



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

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

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

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 is applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that is applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

November 3, 2000

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000

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

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding # 2000-10659-001

Extracurricular Activity receipts Sales Potential Forms

During fiscal year 2000, there were many fund-raising activities initiated by student activities groups, including principal fund activities, which did not have a forecast or a profit/loss statement completed. Therefore, these activities could not be monitored by the Treasurer throughout the year.

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000
(Continued)

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

Finding # 2000-10659-001 (continued)

Extracurricular Activity receipts Sales Potential Forms (continued)

The District does not have a policy in place regarding the principal's fund. Adopting a policy over this fund would allow the District to properly monitor the activities to ensure that the fund's activities were operating in accordance with the objectives of the District. A profit/loss forecast should be completed before a student activity fund raiser begins. At the end of each activity, a profit/loss statement should be completed by the activity advisor showing actual results. The forecast and profit/loss statements should be turned into the Treasurer's office and the Treasurer should monitor both the forecast and actual activity for reasonableness, and especially to document that all cash has been accounted for. The Treasurer should monitor both the forecast and the actual activity for the fund raiser and keep this documentation on file for reference.

We recommend the District Board and Treasurer review its student activity policies and procedures manual and assure that all student activity groups are following appropriate procedures. The principal fund activities should be required to follow the same policies and procedures as student activities.

3. FINDINGS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

HIGHLAND LOCAL SCHOOL DISTRICT

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 28, 2000**