

**HIGHLAND LOCAL SCHOOL DISTRICT  
MEDINA COUNTY**

**REGULAR AUDIT**

**FOR YEAR ENDED JUNE 30, 1998**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To The Board of Education:

We have audited the accompanying general purpose financial statements of the Highland Local School District (the School District) as of and for the year ended June 30, 1998, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Government'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 School District as of June 30, 1998 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust 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 12, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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Jim Retro  
Auditor of State

November 12, 1999

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**Highland Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 As of June 30, 1998**

	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	\$ 2,774,093	\$ 146,381	\$ 566,828	\$ 369,755
Equity in pooled cash - non-expendable trust	-	-	-	-
Cash and cash equivalents in segregated account	-	-	-	-
Cash and cash equivalents with fiscal agent	-	-	5,638	-
Receivables:				
Taxes	8,623,210	-	-	310,335
Accounts	5,124	-	-	-
Intergovernmental	75,338	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Equity in pooled cash and cash equivalents (restricted)	74,078	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other debits:</u>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 11,551,843</b>	<b>\$ 146,381</b>	<b>\$ 572,466</b>	<b>\$ 680,090</b>
<u>Liabilities, fund equity and other credits:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 151,439	\$ 1,589	\$ -	\$ -
Accrued wages	1,248,012	18,990	-	-
Compensated absences payable	36,531	-	-	-
Intergovernmental payable	223,604	3,789	-	-
Deferred revenue	8,053,987	-	-	285,495
Due to students	-	-	-	-
Matured interest payable	-	-	5,638	-
Claims payable	-	-	-	-
Capital leases payable	-	-	-	-
General obligation bonds payable	-	-	-	-
<b>Total liabilities</b>	<b>9,713,573</b>	<b>24,368</b>	<b>5,638</b>	<b>285,495</b>
<u>Fund equity and other credits:</u>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings, unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	214,411	5,930	-	653
Reserved for budget reserve	74,078	-	-	-
Reserved for debt service	-	-	566,828	-
Reserved for endowment	-	-	-	-
Reserved for property taxes	643,961	-	-	24,840
Unreserved, undesignated	905,820	116,083	-	369,102
<b>Total fund equity and other credits</b>	<b>1,838,270</b>	<b>122,013</b>	<b>566,828</b>	<b>394,595</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 11,551,843</b>	<b>\$ 146,381</b>	<b>\$ 572,466</b>	<b>\$ 680,090</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 82,716	\$ 1,253,765	\$ 71,986	\$ -	\$ -	\$ 5,265,524
-	-	48,975	-	-	48,975
-	528,275	-	-	-	528,275
-	-	-	-	-	5,638
-	-	-	-	-	8,933,545
-	-	-	-	-	5,124
-	-	-	-	-	75,338
24,866	-	-	-	-	24,866
3,013	-	-	-	-	3,013
-	-	-	-	-	74,078
102,375	-	-	15,998,685	-	16,101,060
-	-	-	-	566,828	566,828
-	-	-	-	457,425	457,425
<u>\$ 212,970</u>	<u>\$ 1,782,040</u>	<u>\$ 120,961</u>	<u>\$ 15,998,685</u>	<u>\$ 1,024,253</u>	<u>\$ 32,089,689</u>
\$ 3,690	\$ 26	\$ -	\$ -	\$ -	\$ 156,744
32,671	-	-	-	-	1,299,673
13,382	-	-	-	498,938	548,851
25,046	-	-	-	118,608	371,047
15,731	-	-	-	-	8,355,213
-	-	57,663	-	-	57,663
-	-	-	-	-	5,638
-	109,595	-	-	-	109,595
-	-	-	-	16,707	16,707
-	-	-	-	390,000	390,000
<u>90,520</u>	<u>109,621</u>	<u>57,663</u>	<u>-</u>	<u>1,024,253</u>	<u>11,311,131</u>
-	-	-	15,998,685	-	15,998,685
14,022	-	-	-	-	14,022
108,428	1,672,419	-	-	-	1,780,847
-	-	-	-	-	220,994
-	-	-	-	-	74,078
-	-	-	-	-	566,828
-	-	48,975	-	-	48,975
-	-	-	-	-	668,801
-	-	14,323	-	-	1,405,328
<u>122,450</u>	<u>1,672,419</u>	<u>63,298</u>	<u>15,998,685</u>	<u>-</u>	<u>20,778,558</u>
<u>\$ 212,970</u>	<u>\$ 1,782,040</u>	<u>\$ 120,961</u>	<u>\$ 15,998,685</u>	<u>\$ 1,024,253</u>	<u>\$ 32,089,689</u>

**Highland Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Taxes	\$ 8,063,382	\$ -	\$ 672,103	\$ 305,951
Intergovernmental	3,835,618	284,114	10,062	36,947
Interest	348,046	-	-	1,236
Tuition and fees	158,965	17,906	-	-
Extracurricular activities	3,248	108,097	-	-
Miscellaneous	98,713	19,912	-	-
<b>Total revenues</b>	<b>12,507,972</b>	<b>430,029</b>	<b>682,165</b>	<b>344,134</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,890,506	37,665	-	149,473
Special	1,391,419	84,483	-	-
Vocational	158,581	-	-	-
Other	23,278	-	-	-
Support services:				
Pupils	709,748	4,676	-	-
Instructional staff	643,485	34,667	-	-
Board of education	14,900	-	-	-
Administration	1,181,626	80,511	70	483
Fiscal	373,845	-	1,208	3,023
Business	51,382	-	-	-
Operation and maintenance of plant	1,171,095	-	-	291,854
Pupil transportation	905,258	785	-	475
Central	34,356	-	-	-
Operation of non-instructional services				
Extracurricular activities	289,112	135,727	-	-
Capital outlay	430,507	-	-	-
Debt service:				
Principal retirement	8,172	-	699,200	-
Interest and fiscal charges	1,640	-	57,219	-
<b>Total expenditures</b>	<b>13,278,910</b>	<b>379,784</b>	<b>757,697</b>	<b>445,308</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(770,938)</b>	<b>50,245</b>	<b>(75,532)</b>	<b>(101,174)</b>
<u>Other financing sources:</u>				
Proceeds from sale of fixed assets	-	130	-	-
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>(770,938)</b>	<b>50,375</b>	<b>(75,532)</b>	<b>(101,174)</b>
Fund balances at beginning of year	2,609,208	71,638	642,360	495,769
<b>Fund balances at end of year</b>	<b>\$ 1,838,270</b>	<b>\$ 122,013</b>	<b>\$ 566,828</b>	<b>\$ 394,595</b>



Fiduciary Funds	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 9,041,436
-	4,166,741
894	350,176
-	176,871
-	111,345
-	118,625
894	13,965,194
-	6,077,644
-	1,475,902
-	158,581
-	23,278
-	714,424
-	678,152
-	14,900
-	1,262,690
-	378,076
-	51,382
-	1,462,949
-	906,518
-	34,356
-	1,270
525	425,364
-	430,507
-	707,372
-	58,859
525	14,862,224
369	(897,030)
-	130
369	(896,900)
13,954	3,832,929
\$ 14,323	\$ 2,936,029

**Highland Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget and Actual -**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1998**

	Governmental Fund Types		
	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Taxes	\$ 7,937,261	\$ 7,936,549	\$ (712)
Intergovernmental	3,842,399	3,835,618	(6,781)
Interest	344,775	344,754	(21)
Tuition and fees	159,093	158,965	(128)
Extracurricular activities	3,207	3,248	41
Miscellaneous	14,944	16,123	1,179
<b>Total revenues</b>	<b>12,301,679</b>	<b>12,295,257</b>	<b>(6,422)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	5,985,584	5,924,425	61,159
Special	1,364,907	1,363,873	1,034
Vocational	174,445	159,874	14,571
Other	26,115	23,278	2,837
<b>Support services:</b>			
Pupils	743,234	707,969	35,265
Instructional staff	787,207	689,952	97,255
Board of education	20,729	14,900	5,829
Administration	1,245,289	1,181,480	63,809
Fiscal	419,067	372,540	46,527
Business	56,742	55,253	1,489
Operation and maintenance of plant	1,231,408	1,214,160	17,248
Pupil transportation	1,031,952	916,477	115,475
Central	35,252	34,117	1,135
Operation of non-instructional services	-	-	-
Extracurricular activities	296,825	288,733	8,092
Capital outlay	531,721	520,811	10,910
<b>Debt service:</b>			
Principal retirement	569,200	-	569,200
Interest and fiscal charges	32,381	-	32,381
<b>Total expenditures</b>	<b>14,552,058</b>	<b>13,467,842</b>	<b>1,084,216</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,250,379)</b>	<b>(1,172,585)</b>	<b>1,077,794</b>
<b>Other financing sources (uses):</b>			
Proceeds from sale of fixed assets	-	8	8
Refund of prior year expenditures	76,843	76,858	15
Refund of prior year receipts	-	-	-
<b>Total other financing sources (uses)</b>	<b>76,843</b>	<b>76,866</b>	<b>23</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(2,173,536)</b>	<b>(1,095,719)</b>	<b>1,077,817</b>
Fund balances at beginning of year	2,930,719	2,930,719	-
Prior year encumbrances appropriated	658,440	658,440	-
<b>Fund balances at end of year</b>	<b>\$ 1,415,623</b>	<b>\$ 2,493,440</b>	<b>\$ 1,077,817</b>

See accompanying notes to the general purpose financial statements

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 686,972	\$ 683,162	\$ (3,810)
284,114	284,114	-	10,162	10,062	(100)
-	-	-	-	-	-
18,085	17,906	(179)	-	-	-
111,016	108,097	(2,919)	-	-	-
19,705	19,912	207	-	-	-
<u>432,920</u>	<u>430,029</u>	<u>(2,891)</u>	<u>697,134</u>	<u>693,224</u>	<u>(3,910)</u>
78,486	40,081	38,405	-	-	-
101,305	84,539	16,766	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,363	7,197	166	-	-	-
43,927	39,374	4,553	-	-	-
-	-	-	-	-	-
80,626	72,594	8,032	296	70	226
-	-	-	2,369	1,208	1,161
-	-	-	-	-	-
-	-	-	-	-	-
877	785	92	-	-	-
17,498	-	17,498	-	-	-
900	898	2	-	-	-
152,090	139,966	12,124	-	-	-
-	-	-	-	-	-
-	-	-	699,200	699,200	-
-	-	-	71,262	57,219	14,043
<u>483,072</u>	<u>385,434</u>	<u>97,638</u>	<u>773,127</u>	<u>757,697</u>	<u>15,430</u>
<u>(50,152)</u>	<u>44,595</u>	<u>94,747</u>	<u>(75,993)</u>	<u>(64,473)</u>	<u>11,520</u>
258	130	(128)	-	-	-
-	-	-	-	-	-
-	(372)	(372)	-	-	-
<u>258</u>	<u>(242)</u>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(49,894)	44,353	94,247	(75,993)	(64,473)	11,520
81,245	81,245	-	631,301	631,301	-
13,751	13,751	-	-	-	-
<u>\$ 45,102</u>	<u>\$ 139,349</u>	<u>\$ 94,247</u>	<u>\$ 555,308</u>	<u>\$ 566,828</u>	<u>\$ 11,520</u>

**Highland Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Budget and Actual -**  
**All Governmental Fund Types and Expendable Trust Fund - Continued**  
**For the Fiscal Year Ended June 30, 1998**

	Governmental Fund Types		
	Capital Projects Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 300,206	\$ 300,864	\$ 658
Intergovernmental	36,947	36,947	-
Interest	1,274	1,236	(38)
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Miscellaneous	-	-	-
Total revenues	338,427	339,047	620
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	201,711	162,406	39,305
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
<b>Support services:</b>			
Pupils	-	-	-
Instructional staff	-	-	-
Board of education	-	-	-
Administration	600	483	117
Fiscal	4,000	3,023	977
Business	-	-	-
Operation and maintenance of plant	522,800	368,362	154,438
Pupil transportation	1,000	475	525
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	-	-	-
<b>Debt service:</b>			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	730,111	534,749	195,362
Excess of revenues over (under) expenditures	(391,684)	(195,702)	195,982
<b>Other financing sources (uses):</b>			
Proceeds from sale of fixed assets	-	-	-
Refund of prior year expenditures	-	-	-
Refund of prior year receipts	-	-	-
Total other financing sources (uses)	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(391,684)	(195,702)	195,982
Fund balances at beginning of year	384,947	384,947	-
Prior year encumbrances appropriated	179,857	179,857	-
Fund balances at end of year	\$ 173,120	\$ 369,102	\$ 195,982

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types			Totals (Memorandum Only)		
Expendable Trust Fund					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 8,924,439	\$ 8,920,575	\$ (3,864)
-	-	-	4,173,622	4,166,741	(6,881)
900	894	(6)	346,949	346,884	(65)
-	-	-	177,178	176,871	(307)
-	-	-	114,223	111,345	(2,878)
-	-	-	34,649	36,035	1,386
900	894	(6)	13,771,060	13,758,451	(12,609)
-	-	-	6,265,781	6,126,912	138,869
-	-	-	1,466,212	1,448,412	17,800
-	-	-	174,445	159,874	14,571
-	-	-	26,115	23,278	2,837
-	-	-	750,597	715,166	35,431
-	-	-	831,134	729,326	101,808
-	-	-	20,729	14,900	5,829
-	-	-	1,326,811	1,254,627	72,184
-	-	-	425,436	376,771	48,665
-	-	-	56,742	55,253	1,489
-	-	-	1,754,208	1,582,522	171,686
-	-	-	1,033,829	917,737	116,092
-	-	-	52,750	34,117	18,633
-	-	-	900	898	2
1,685	525	1,160	450,600	429,224	21,376
-	-	-	531,721	520,811	10,910
-	-	-	1,268,400	699,200	569,200
-	-	-	103,643	57,219	46,424
1,685	525	1,160	16,540,053	15,146,247	1,393,806
(785)	369	1,154	(2,768,993)	(1,387,796)	1,381,197
-	-	-	258	138	(120)
-	-	-	76,843	76,858	15
-	-	-	-	(372)	(372)
-	-	-	77,101	76,624	(477)
(785)	369	1,154	(2,691,892)	(1,311,172)	1,380,720
13,729	13,729	-	4,041,941	4,041,941	-
225	225	-	852,273	852,273	-
\$ 13,169	\$ 14,323	\$ 1,154	\$ 2,202,322	\$ 3,583,042	\$ 1,380,720

**Highland Local School District  
 Combined Statement of Revenues,  
 Expenses and Changes in Fund Equity  
 All Proprietary Fund Types and Nonexpendable Trust Fund  
 For the Fiscal Year Ended June 30, 1998**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<u>Operating revenues:</u>				
Tuition	\$ 56,991	\$ -	\$ -	\$ 56,991
Sales	439,565	-	-	439,565
Charges for services	-	1,347,080	-	1,347,080
Interest	-	-	3,152	3,152
Materials and fees	42,477	-	-	42,477
Other operating revenues	-	-	2,000	2,000
<b>Total operating revenue</b>	<b>539,033</b>	<b>1,375,426</b>	<b>5,152</b>	<b>1,919,611</b>
<u>Operating expenses:</u>				
Salaries	224,888	-	-	224,888
Fringe benefits	71,522	-	-	71,522
Purchased services	5,058	158,949	-	164,007
Materials and supplies	76,988	24,728	-	101,716
Cost of sales	223,168	-	-	223,168
Depreciation	8,842	-	-	8,842
Claims	-	985,131	-	985,131
Other operating expenses	-	-	3,000	3,000
<b>Total operating expenses</b>	<b>610,466</b>	<b>1,168,808</b>	<b>3,000</b>	<b>1,782,274</b>
<b>Operating income (loss)</b>	<b>(71,433)</b>	<b>206,618</b>	<b>2,152</b>	<b>137,337</b>
<u>Non-operating revenues:</u>				
Federal donated commodities	28,462	-	-	28,462
Operating grants	45,780	-	-	45,780
Interest	1,115	29,219	-	30,334
<b>Total non-operating revenues</b>	<b>75,357</b>	<b>29,219</b>	<b>-</b>	<b>104,576</b>
<b>Net income</b>	<b>3,924</b>	<b>235,837</b>	<b>2,152</b>	<b>241,913</b>
Retained earnings/fund balance at beginning of year	104,504	1,436,582	46,823	1,587,909
<b>Retained earnings/fund balance at end of year</b>	<b>\$ 108,428</b>	<b>\$ 1,672,419</b>	<b>\$ 48,975</b>	<b>\$ 1,829,822</b>

**Highland Local School District**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types and Nonexpendable Trust Fund**  
**For the Year Ended June 30, 1998**

	Proprietary Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 539,033	\$ -	\$ -	\$ 539,033
Cash received from other operating sources	-	28,346	5,152	33,498
Cash received from quasi-external transactions with other funds	-	1,347,080	-	1,347,080
Cash payments to suppliers for goods and services	(282,336)	(183,917)	(3,000)	(469,253)
Cash payments to employees for services	(225,794)	-	-	(225,794)
Cash payments for employee benefits	(78,231)	-	-	(78,231)
Cash payments for claims	-	(973,048)	-	(973,048)
Net cash provided by (used for) operating activities	(47,328)	218,461	2,152	173,285
<b>Cash flows from noncapital financing activities:</b>				
Operating grants	45,780	-	-	45,780
<b>Cash flows from capital financing activities:</b>				
Acquisition of capital assets	(4,114)	-	-	(4,114)
<b>Cash flows from investing activities:</b>				
Interest on investments	1,115	29,219	-	30,334
Net increase (decrease) in cash and cash equivalents	(4,547)	247,680	2,152	245,285
Cash and cash equivalents at beginning of year	87,263	1,534,360	46,823	1,668,446
Cash and cash equivalents at end of year	\$ 82,716	\$ 1,782,040	\$ 48,975	\$ 1,913,731
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (71,433)	\$ 206,618	\$ 2,152	\$ 137,337
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	8,842	-	-	8,842
Federal donated commodities	28,462	-	-	28,462
Change in assets and liabilities:				
(Increase) decrease in assets:				
Inventory	(835)	-	-	(835)
Increase (decrease) in liabilities:				
Accounts payable	1,310	26	-	1,336
Accrued wages	1,881	-	-	1,881
Compensated absences payable	(3,788)	-	-	(3,788)
Intergovernmental payable	(9,936)	(266)	-	(10,202)
Claims payable	-	12,083	-	12,083
Deferred revenue	(1,831)	-	-	(1,831)
Total adjustments	24,105	11,843	-	35,948
Net cash provided by (used for) operating activities	\$ (47,328)	\$ 218,461	\$ 2,152	\$ 173,285

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The Highland Local School District was established in 1952 through the consolidation of former Granger-Sharon and Hinckley Local School Districts. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 106 non-certificated and 161 certificated full time teaching personnel, including nine administrators, who provide services to 2,367 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The School District's significant accounting policies are described below:

**A. Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. Based on the above criteria, the School District had no component units at June 30, 1998.

The School District is associated with the Lake Erie Educational Computer Association (LEECA) which is defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 13.



**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**B. 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 regulations, 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 expendable available financial 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 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** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or 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 debt principal, interest, and related costs.

**Capital Projects Funds** - The 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**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**Proprietary Fund Types:**

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 are the School District's proprietary fund types:

**Enterprise Funds** - Enterprise funds are used to account for operations 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.

**Internal Service Funds** - These funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**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. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds 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, other than those accounted for in the proprietary 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 the proprietary or trust funds.

**C. 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 and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. 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**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

All proprietary and nonexpendable trust funds are accounted for on 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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements 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, expendable trust 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 year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, 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, 1998 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 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 proprietary and nonexpendable trust funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**D. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. 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 temporary cash flow resources and are intended to be repaid.

**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 Medina 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 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 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 is amended to include any unencumbered cash balances from the preceding year. The certificate 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 issued during fiscal year 1998.

**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 must be 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.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

The Board may pass supplemental fund appropriations so 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 appropriations were legally enacted; however, none of these amendments were significant.

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, other than 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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations:**

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the General Purpose Financial Statements in the account, "Equity in pooled cash and cash equivalents." During fiscal year 1998 investments were limited to U.S. Treasury Notes, certificates of deposit, banker's acceptances, notes of federal government agencies, and Star Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to certain trust funds, unless the School Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

The District has invested funds in STAR Ohio during 1998. 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, 1998.

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 a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**F. Inventory**

Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. The amount of inventory in governmental funds was not significant on June 30, 1998 and therefore was not recorded. Inventories of proprietary funds consist of donated food, purchased food, and supplies held for resale and are expensed when used.

**G. 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 related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars.

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 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 equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget reserve. This reserve is required by State statute and can only be used after receiving approval from the State Superintendent of Public Instruction. During the fiscal year 1998, the School District received a \$74,078 refund from the Bureau of Worker's Compensation which State statute required to be included in this reserve. A fund balance reserve has also been established.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and all other grant requirements have been met. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became 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

Non-Reimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Program  
Teacher Development  
Data Communications  
Nutrition Education  
Title I  
Title II  
Title VI  
Title VI-B  
Drug Free Schools  
Educational Management Information System  
EHA Preschool

Capital Projects

SchoolNet

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately twenty-eight percent of the School District's revenue during the 1998 fiscal year.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**J. 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. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. 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, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, 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. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, endowment, budget reserves, property taxes, and debt service.

**N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.



**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying general purpose financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

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

Total columns on the general purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows 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.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance/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 and Actual - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

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

<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
<i>GAAP Basis</i>	\$ (770,938)	\$ 50,375	\$ (75,532)	\$ (101,174)	\$ 369
<i>Revenue Accruals</i>	(135,849)	-	11,059	(5,087)	-
<i>Expenditure Accruals</i>	149,160	1,009	-	(88,788)	225
<i>Encumbrances (Budget Basis)</i>					
<i>Outstanding at year end</i>	<u>(338,092)</u>	<u>(7,031)</u>	<u>-</u>	<u>(653)</u>	<u>(225)</u>
<i>Budget Basis</i>	<u>\$ (1,095,719)</u>	<u>\$ 44,353</u>	<u>\$ (64,473)</u>	<u>\$ (195,702)</u>	<u>\$ 369</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 moneys. Interim moneys are those moneys 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 pass book accounts. Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

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

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

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

**Deposits:**

At year-end, the carrying amount of the School District's deposits and petty cash of \$4,270 was \$1,080,178 and the bank balance was \$1,293,010. Of the bank balance, \$200,200 was covered by federal depository insurance. \$1,092,810 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

**Investments:**

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

	<u>Category 3</u>	<u>Carrying Amounts</u>	<u>Fair Value</u>
<u>Categorized Investments</u>			
Banker's Acceptances	\$ 491,025	\$ 497,692	\$ 497,692
Federal Gov Agency Notes	<u>2,467,212</u>	<u>2,477,180</u>	<u>2,477,180</u>
Total Categorized	<u>\$ 2,958,237</u>	<u>2,974,872</u>	<u>2,974,872</u>
<u>Noncategorized Investments</u>			
STAR Ohio		<u>1,867,440</u>	<u>1,867,440</u>
Total Investments		<u>\$ 4,842,312</u>	<u>\$ 4,842,312</u>

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

Interest earned on investments in the Permanent Improvement capital projects funds, the Food Service enterprise fund, the Special Trust expendable trust fund, and the Endowment nonexpendable trust fund is recorded in those funds as required by a board resolution. All other interest is legally required to be placed in the General fund. Interest revenue credited to the General fund, Special Trust expendable trust fund, and the Endowment nonexpendable trust fund during the fiscal year 1998 amounted to \$344,754, \$894, and \$3,152, respectively, which includes \$138,727, \$102, and \$474 assigned from other School District funds.

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

The School District receives property taxes from Medina and Summit Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 1998 are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1998. 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 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 was \$643,961 in the General Fund and \$24,840 in the Permanent Improvement Fund, and is recognized as revenue.

There were no new levies passed during the current fiscal year. The assessed values upon which the fiscal year 1998 taxes were collected are:

<u>Property Category</u>	<u>1997 Assessed Value</u>	<u>1996 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 275,230,290	\$ 261,261,580
Commercial and Industrial	16,656,290	15,001,090
Public Utilities	10,220	14,150
<u>Tangible Personal Property</u>		
General	9,995,510	10,677,000
Public Utilities	16,437,240	17,684,610
Total	<u>\$ 318,329,550</u>	<u>\$ 304,638,430</u>

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 1998 consisted of taxes, accounts, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The General Fund intergovernmental receivable at June 30, 1998 consisted of excess cost reimbursements of \$75,338.

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets as of June 30, 1998 follows:

<u>Classification</u>	<u>Balance</u>
Equipment	\$ 256,771
Less: accumulated depreciation	<u>(154,396)</u>
Net Fixed Assets	<u>\$ 102,375</u>

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

A summary of the changes in general fixed assets during fiscal year 1998 follows:

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>
<i>Land</i>	\$ 4,762,586	\$ 117,119	\$ -	\$ 4,879,705
<i>Buildings and improvements</i>	5,161,217	404,020	-	5,565,237
<i>Infrastructure</i>	79,400	-	-	79,400
<i>Furniture, fixtures, and equipment</i>	3,322,897	405,056	128,940	3,599,013
<i>Vehicles</i>	1,813,056	229,114	166,840	1,875,330
<i>Total</i>	<u>\$ 15,139,156</u>	<u>\$ 1,155,309</u>	<u>\$ 295,780</u>	<u>\$ 15,998,685</u>

**NOTE 8 - RISK MANAGEMENT**

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

The School District uses an Internal Service Fund to record and report its self-funded health care insurance program. The claims liability of \$109,595 reported in the fund at June 30, 1998 was estimated by the third party administrator and is based on the requirements of GASB Statement 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$40,000 per employee. Changes in the fund's claims liability during 1997 and 1998 were:

	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
<i>1997</i>	\$ 55,680	1,006,482	964,650	97,512
<i>1998</i>	\$ 97,512	985,131	973,048	109,595

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That 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 nine percent of their annual covered salary and the School District is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$277,621, \$265,362, and \$237,384, respectively; thirty-five percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$177,278 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That 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 an actuarially determined rate of fourteen percent of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of ten percent for members and fourteen percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$893,912, \$902,024, and \$833,945, respectively; 84 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$145,308 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently fourteen percent of covered payroll. The retirement board currently allocates employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$223,478 during the 1998 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, the net health care costs paid by the STRS were \$219,224,000 and eligible benefit recipients totaled 91,999.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to fourteen percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the fourteen percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$82,774 which includes a surcharge of \$45,697 during the 1998 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the SERS's net assets available for payment of health care benefits was \$160.3 million, at cost. The number of participants receiving health care benefits was approximately 50,000.



**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**NOTE 11 - LONG-TERM DEBT**

Changes in long-term obligations of the School District during the 1998 fiscal year were as follows:

	<i>Balance</i> <u>July 1</u>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <u>June 30</u>
<b><u>General Long-Term Obligations</u></b>				
<i>Energy Conservation notes, 5.5% maturing December 1, 2000</i>	\$ 214,000	\$ -	\$ 214,000	\$ -
<i>Energy Conservation notes, 5.75% maturing December 1, 2004</i>	<u>355,200</u>	-	<u>355,200</u>	-
<i>Total notes</i>	<u>569,200</u>	-	<u>569,200</u>	-
<i>School Improvement Bonds, 5.5% maturing December 1, 2000</i>	<u>520,000</u>	-	<u>130,000</u>	<u>390,000</u>
<b><u>Other Obligations</u></b>				
<i>Compensated absences</i>	694,685	-	195,747	498,938
<i>Capital leases payable</i>	24,879	-	8,172	16,707
<i>Employer pension obligations</i>	<u>106,168</u>	<u>118,608</u>	<u>106,168</u>	<u>118,608</u>
<i>Total General Long-Term Obligations</i>	<u>\$ 1,914,932</u>	<u>\$ 118,608</u>	<u>\$ 1,009,287</u>	<u>\$ 1,024,253</u>

The annual requirements to amortize all loans and notes outstanding as of June 30, 1998, excluding interest payments of \$ 32,125, are as follows:

<i>Fiscal</i> <u>Year</u>	<i>School Improvement</i> <u>Bonds</u>
1999	\$ 130,000
2000	130,000
2001	<u>130,000</u>
<i>Total</i>	<u>\$ 390,000</u>

The School Improvement Bonds Payable will be paid from the Bond Retirement Debt Service Fund. Compensated absences and employer pension due to the School Employees and State Teachers Retirement Systems will be paid from the fund from which the person is paid.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
 Notes to the General Purpose Financial Statements  
 For the Fiscal Year Ended June 30, 1998

**NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District entered into no new capital leases during fiscal year 1998. In prior years, the School District entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group at \$40,544 equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligation account group. Principal payments in fiscal year 1998 totaled \$8,172. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1998.

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	<i>Lease Payments</i>
1999	\$ 9,806
2000	<u>8,171</u>
<i>Total minimum lease payments</i>	<u>17,977</u>
<i>Less: amount representing interest</i>	<u>(1,270)</u>
<i>Total</i>	<u>\$ 16,707</u>

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**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four Enterprise Funds to account for the operations of food service, rotary, uniform school supplies, and latch-key programs. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the School District as of and for the fiscal year ended June 30, 1998.

<u>Description</u>	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Rotary</u>	<u>Latchkey</u>	<u>Total</u>
<i>Operating revenues</i>	\$ 439,565	\$ 42,477	\$ 2,896	\$ 54,095	\$ 539,033
<i>Operating expenses before depreciation</i>	513,340	42,279	2,860	43,145	601,624
<i>Depreciation expense</i>	8,626	-	-	216	8,842
<i>Operating income (loss)</i>	(82,401)	198	36	10,734	(71,433)
<i>Operating grants</i>	45,780	-	-	-	45,780
<i>Donated commodities</i>	28,462	-	-	-	28,462
<i>Net income (loss)</i>	(7,044)	198	36	10,734	3,924
<i>Fixed asset additions</i>	-	-	-	4,114	4,114
<i>Net working capital</i>	10,122	8,202	36	15,097	33,457
<i>Total assets</i>	185,582	8,202	51	19,135	212,970
<i>Compensated absences payable</i>	13,382	-	-	-	13,382
<i>Contributed capital</i>	14,022	-	-	-	14,022
<i>Total equity</i>	95,217	8,202	36	18,995	122,450
<i>Encumbrances outstanding (budget basis) at June 30, 1998</i>	\$ 2,208	\$ -	\$ -	\$ -	\$ 2,208

**NOTE 15 - CONTINGENCIES**

A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1998.

B. Litigation:

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

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

C. School Funding

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 amounts of monetary support to this School District. During the fiscal year ended June 30, 1998, the School District received \$1,821,317 million of school foundation support for its general fund.

Since the Court's ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry has 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 16 – THE YEAR 2000 ISSUES**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal 2000.

The School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, equipment inventory and education management information reporting.

The School District uses the State of Ohio Uniform School Accounting System (USAS) for financial reporting, the Uniform Staff Payroll System (USPS) for payroll and employee benefits, the Equipment Inventory System (EIS) for equipment and vehicle inventory and the Education Management and Information System (EMIS) for educational statistics reporting. The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Medina County collects property taxes for distribution to the School District. Medina County is responsible for remediating the tax collection system.

The School District currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

The County is solely responsible for any costs associated with the tax collection system project. The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

**HIGHLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1998

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 330-471-0001

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

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

To The Board of Education:

We have audited the financial statements of Highland Local School District (the School District) as of and for the year ended June 30, 1998, and have issued our report thereon dated November 12, 1999. 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 School 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*.

**Internal Control Over Financial Reporting**

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

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

However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the School District in a separate letter dated November 12, 1999.

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



**Jim Petro**  
Auditor of State

November 12, 1999



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

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HIGHLAND LOCAL SCHOOL DISTRICT, MEDINA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt  
Clerk of the Bureau

Date: JAN 11 2000