

Mary Taylor, CPA
Auditor of State

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated November 16, 2007.

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated November 16, 2007.

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



Mary Taylor, CPA
Auditor of State

November 16, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Highland Local School District, Medina 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 apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Highland Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

Federal Awards Receipts and Expenditures Schedule

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Highland Local School District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 2007. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Federal Awards Receipts and Expenditures Schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Mary Taylor, CPA
Auditor of State

November 16, 2007

HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	048496-6BSF-2006	84.027	\$87,582		\$110,469	
	048496-6BSF-2007		478,084		461,265	
Total Special Education -Grants to States			565,666		571,734	
Special Education - Preschool Grants	048496-PGS1-2006	84.173	1,362		1,421	
	048496-PGS1-2007		10,695		11,898	
Total Special Education - Preschool Grants			12,057		13,319	
Total Special Education Cluster			577,723		585,053	
State Grants for Innovative Programs	048496-C2S1-2007	84.298	4,017		3,727	
Safe and Drug-Free Schools and Communities-State Grants	048496-DRS1-2007	84.186	2,260		5,366	
Improving Teacher Quality State Grants	048496-TRS1-2006	84.367	714		1,992	
	048496-TRS1-2007		50,289		49,552	
Total Improving Teacher Quality State Grants			51,003		51,544	
<i>Passed through the Cuyahoga County Educational Service Center</i>						
Teacher Quality Enhancement Grants		84.336	455		455	
Total U.S. Department of Education			635,458		646,145	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	048496-LLP4-2006	10.555	20,040		20,040	
	048496-LLP4-2007		55,275		55,275	
Total National School Lunch Program			75,315		75,315	
School Breakfast Program	048496-05PU-2006	10.553	1,828		1,828	
	048496-05PU-2007		5,674		5,674	
Total School Breakfast Program			7,502		7,502	
Total Child Nutrition Cluster			82,817		82,817	
Food Donation	N/A	10.550		\$59,484		\$51,631
Total U.S. Department of Agriculture			82,817	59,484	82,817	51,631
Totals			\$718,275	\$59,484	\$728,962	\$51,631

The accompanying notes are an integral part of this schedule.

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture; however, the District has elected to track these contributions which are reported on the Schedule at the fair value of the commodities received and consumed.

**HIGHLAND LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, CFDA 84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Highland Local School District Medina, Ohio



Comprehensive Annual Financial Report

For Fiscal Year Ending June 30, 2007

Highland Local School District

Medina, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

Prepared By:
Mary M. Markle, Treasurer and
Treasurer's Office Staff

Highland Local School District
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2007

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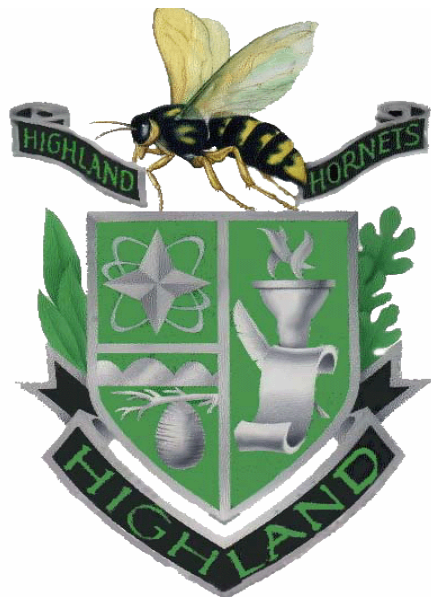
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Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2007

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INTRODUCTORY SECTION



Highland Local Schools

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

November 16, 2007

Highland Board of Education Members and
The Citizens of the Highland Local School District:

The Comprehensive Annual Financial Report (CAFR) of the Highland Local School District (the "School District"), for the fiscal year ended June 30, 2007, is hereby submitted. This report, prepared by the Treasurer's Office, includes financial statements, supplemental statements, and other financial and statistical information to provide complete and full disclosure of all material financial aspects of the School District for the 2006-2007 fiscal year.

The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District's management. To the best of our knowledge and belief, this CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District.

This CAFR, which includes an opinion from the Ohio Auditor of State, conforms to generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB) and is representative of the School District's commitment to provide meaningful information to the citizens of the Highland Local School District.

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

DESCRIPTION OF THE SCHOOL DISTRICT

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

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

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

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

These original school buildings were replaced in subsequent years. The Hinckley Elementary School building was constructed in 1952, the Sharon Elementary School and Granger Elementary School buildings were constructed in 1957, and the Highland Middle School was constructed in 1962. Due to increases in enrollment renovations and additions were made to these buildings throughout the years to modernize and increase classroom space.

The award winning new Highland High School building was opened in the fall of 2004. The building received the Outstanding Design award from the Council of Educational Facility Planners International and School Planning & Management magazine.

The School District provides a wide array of programs to the students. These programs include; instructional, support services, non-instructional services, and extracurricular activities. The instructional programs provide; regular instruction from kindergarten through twelfth grade, special education for students with learning disabilities and other disabilities, and vocational education to train students for a career. Support services are divided into services that; directly support the instructional programs, provide administrative and fiscal activities, maintenance of buildings and grounds, and pupil transportation. Non-instructional services provide a food service operation for pupils and community activities. The extracurricular activities are designed to enhance the instructional experience for pupils and include student organizations and athletic activities.

The School District is one of only twenty-two districts to receive an "Excellent Rating" from the Ohio Department of Education all eight years the rating system has been in effect.

As of June 30, 2007, the School District had 3,211 public students enrolled in five schools: Sharon Elementary, Hinckley Elementary, Granger Elementary, Highland Middle School housing grades 6 through 8, and Highland High School, a comprehensive high school for grades 9 through 12. The School District also operates other facilities including a bus garage, maintenance facility, and several sports fields. 62.64 of the 3,211 students in the School District attended the Medina County Career Center during the 2006-2007 school year.

Enrollment is expected to continue to increase in the future. The School District's academic ranking, new major housing developments and several smaller ones are attracting an increasing number of young families with children to the community.

ORGANIZATION OF THE SCHOOL DISTRICT

The Board of Education (the “Board”) of the School District is comprised of five members elected at large by the citizens of the School District. The Board serves as the taxing authority, contracting body, and policy initiator for the operation of the School District. The Board is responsible for the adoption of the tax budget, the annual operating budget, and approves all expenditures of the School District. The Board is a body politic and corporate, as defined by Section 3313.02 of the Ohio Revised Code, and has only those powers and authority conferred upon it by the Ohio Revised Code. Current members include, Dr. Nancy Wingenbach, President, Dr. Norman Christopher, Vice President, Mr. Robert Kelly, Ms. Ruth Nader, and Mr. M. Brooks Rorapaugh.

The Superintendent is the chief executive officer of the School District and is responsible directly to the Board for all operations within the School District. Dr. Bruce W. Armstrong was appointed Superintendent on August 1, 2000. He was originally given a three-year contract, which ended on July 31, 2003. On February 19, 2002, Dr. Armstrong was given a five-year contract extension. One further extension was granted for the 2007-2008 contract year.

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

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

REPORTING ENTITY

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

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

FINANCIAL INFORMATION

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

The School District has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – Management’s Discussion and Analysis – State and Local Governments.” Since this is the School District’s fifth year preparing financial statements in accordance with this new standard, comparative financial data is present in the Management’s Discussion and Analysis (MD&A). This discussion follows the Independent Accountants’ Report, providing an assessment of the School District’s finances for fiscal year 2007. In addition to the current year’s financial data this discussion provides comparative balances and activity for the current and previous fiscal year. Users of these financial statements may wish to read the MD&A before the financial statements or note disclosures.

ECONOMIC CONDITION AND FUTURE OUTLOOK

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

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

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

OTHER INFORMATION

Independent Audit

Provisions of State statute require the School District’s financial statements to be subjected to a biannual examination by The Auditor of State unless an annual Single Audit is required. The Ohio Auditor of State performed the audit for the year ended June 30, 2007. The auditor’s unqualified opinion rendered on the School District’s basic financial statements is included in the financial section of this Comprehensive Annual Financial Report.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The School District has submitted this report for consideration to the GFOA. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Additional Information

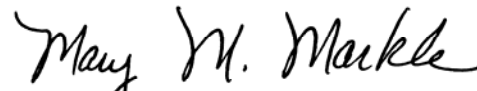
For a more in depth discussion of the financial condition of the Highland Local School District, please refer to the Management's Discussion and Analysis and the Notes to the Basic Financial Statements of the Comprehensive Annual Financial Report.

Acknowledgments

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

I would also extend my appreciation to the members of the Highland Board of Education for their leadership, commitment to excellence and support. It is with great pride that the Highland Local School District presents the 2007 Comprehensive Annual Financial Report to the citizens and taxpayers of the School District.

Respectfully Submitted,



Mary M. Markle
Treasurer

Highland Local School District
Public Officials Roster
For the Fiscal Year Ended June 30, 2007

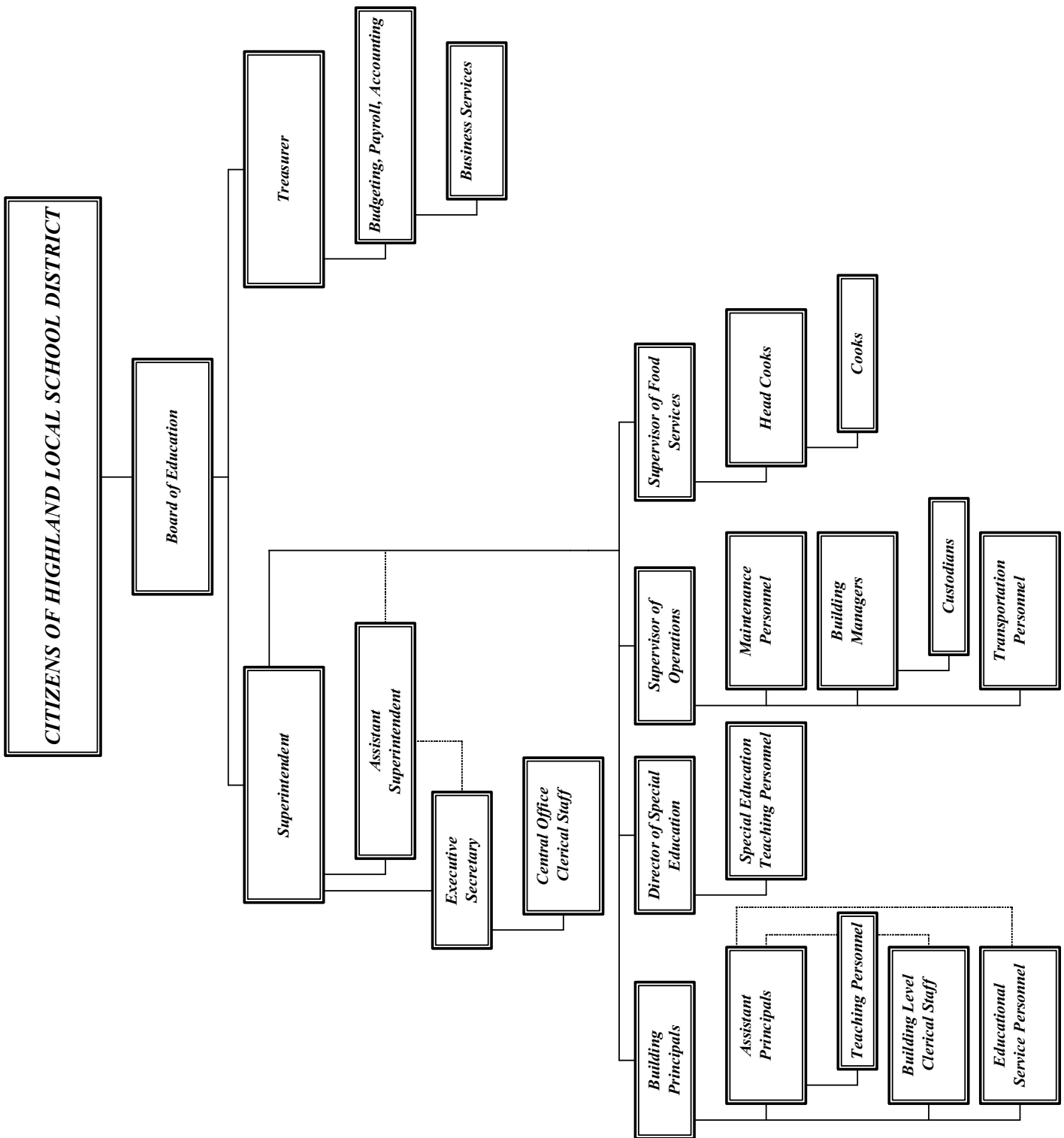
Board of Education

Nancy Wingenbach, Ph. D.	Board Member, President
Norman Christopher, M.D.	Board Member, Vice President
Robert Kelly	Board Member
Ruth Nader	Board Member
M. Brooks Rorapaugh	Board Member

Administration

Dr. Bruce Armstrong	Superintendent
Mary M. Markle	Treasurer
Dr. John Opperman	Director of Special Education
Ann Johnson	Director of Curriculum and Instruction
James Reusch	Supervisor of Operations
Tracy Goebel	Community Information Coordinator
Daryl Kubulis	Highland High School Principal (August 2006)
Peter Ulrich	Highland High School Associate Principal
Dr. John Deuber	Highland Middle School Principal
Ray Braunscheidel	Highland Middle School Assistant Principal (August 2006)
Linda Collins	Granger Elementary School Principal
Stacie Rastok	Hinckley Elementary School Principal
Constance Marzullo	Sharon Elementary School Principal
Evelyn Makarek	Food Service Coordinator
Roger Saffle	Supervisor of Technological Services

**Highland Local School District
Organizational Chart**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Highland Local School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Local School District, Medina County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Mary Taylor, CPA
Auditor of State

November 16, 2007

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

This discussion and analysis of Highland Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the letter of transmittal, basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Net assets of governmental activities increased \$169,158, representing less than a 1 percent increase from 2006.
- General revenues accounted for \$27,087,926 in revenue or 91.4 percent of all revenues. Program revenues in the form of charges for services, operating and capital grants, contributions and interest accounted for \$2,551,941 or 8.6 percent of total revenues of \$29,639,867.
- The School District had \$29,470,709 in expenses related to governmental activities; only \$2,551,941 of these expenses was offset by program specific revenues. General revenues of \$27,087,926 were merely adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$13,164,009, an increase of \$367,822 from the prior fiscal year. The increase was due largely to an increase within the general fund. The general fund reported an increase in revenues that was greater than the increase in expenditures as compared to last year.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Highland Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Highland Local School District, the general fund and the debt service fund are the most significant funds.

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. Fund financial reports provide detailed information about the general and debt service funds, all of which are considered major funds. Data from the other funds are combined into a single, aggregated presentation.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. A comparative analysis is presented below. Table 1 provides a summary of the School District's net assets for 2007 and 2006:

*Table 1
Net Assets*

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<u>Assets:</u>		
<i>Current and other assets</i>	\$ 36,575,985	\$ 36,025,283
<i>Capital assets, net of depreciation</i>	<u>45,655,552</u>	<u>46,991,999</u>
<i>Total assets</i>	<u>82,231,537</u>	<u>83,017,282</u>
<u>Liabilities:</u>		
<i>Current and other liabilities</i>	21,880,314	21,399,676
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	1,495,215	1,631,764
<i>Due in more than one year</i>	<u>37,374,538</u>	<u>38,673,530</u>
<i>Total liabilities</i>	<u>60,750,067</u>	<u>61,704,970</u>
<u>Net Assets:</u>		
<i>Invested in capital assets, net of related debt</i>	8,125,241	7,964,723
<i>Restricted</i>	2,711,310	2,776,875
<i>Unrestricted</i>	<u>10,644,919</u>	<u>10,570,714</u>
<i>Total net assets</i>	<u>\$ 21,481,470</u>	<u>\$ 21,312,312</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the School District's assets exceeded liabilities by \$21,481,470.

Invested in capital assets, net of related debt reported on the government-wide statements represents a large portion of the School District's net assets for fiscal year 2007. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures, and equipment, and vehicles, and are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$2,711,310 or 13 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$2,377,566, or 87.7 percent, is restricted for debt service payments; \$54,671, or 2.0 percent, is restricted for capital projects; and \$279,073, or 10.3 percent is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$10,644,919 may be used to meet the School District's ongoing obligations to students and staff.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows change in net assets for fiscal years 2007 and 2006.

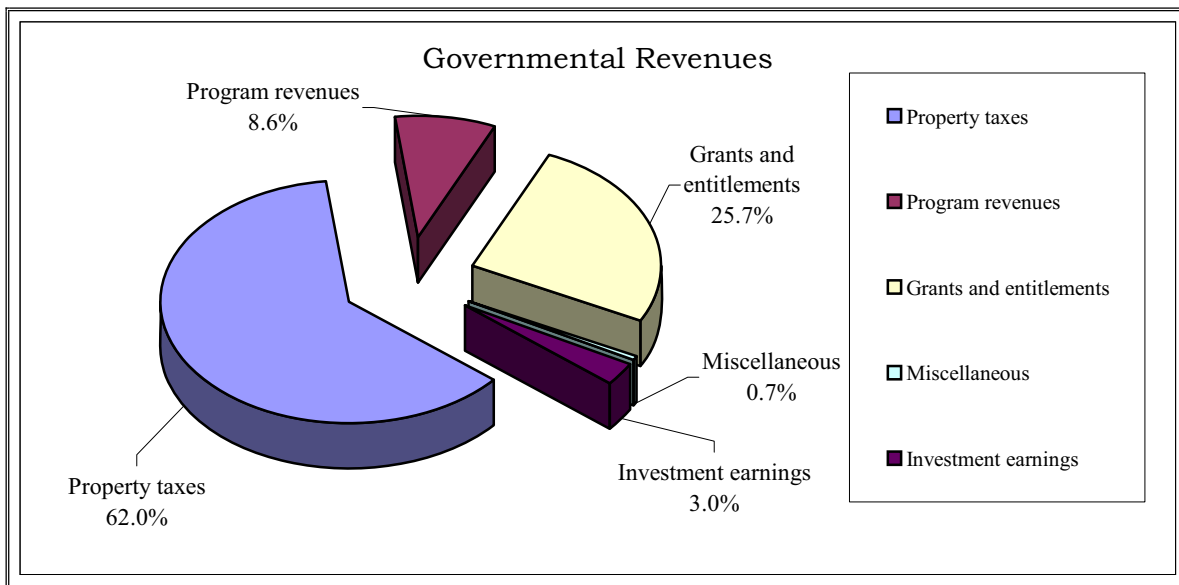
Table 2
Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<u>Revenues:</u>		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 1,625,262	\$ 1,540,723
<i>Operating grants, contributions and interest</i>	872,598	809,032
<i>Capital grants and contributions</i>	54,081	11,102
<i>General revenues:</i>		
<i>Property taxes</i>	18,384,269	18,468,286
<i>Grants and entitlements</i>	7,611,072	6,991,349
<i>Investment earnings</i>	892,439	703,123
<i>Miscellaneous</i>	200,146	332,223
<i>Total revenues</i>	<u>29,639,867</u>	<u>28,855,838</u>
<u>Program Expenses:</u>		
<i>Instruction:</i>		
<i>Regular</i>	11,694,726	10,721,321
<i>Special</i>	2,391,597	2,225,319
<i>Vocational</i>	278,131	267,436
<i>Adult/continuing</i>	521	986
<i>Other</i>	332,028	403,904
<i>Support services:</i>		
<i>Pupils</i>	1,262,276	1,192,215
<i>Instructional staff</i>	1,657,555	1,549,011
<i>Board of education</i>	27,888	25,436
<i>Administration</i>	2,021,332	2,067,429
<i>Fiscal</i>	749,712	706,597
<i>Business</i>	78,529	36,062
<i>Operation and maintenance of plant</i>	3,203,861	3,768,269
<i>Pupil transportation</i>	1,527,721	1,542,484
<i>Central</i>	197,879	153,649
<i>Food service operations</i>	986,923	894,970
<i>Operation of community services</i>	146,024	135,893
<i>Extracurricular activities</i>	1,277,106	1,242,002
<i>Interest and fiscal charges</i>	1,636,900	2,972,182
<i>Total expenses</i>	<u>29,470,709</u>	<u>29,905,165</u>
<i>Increase (decrease) in net assets</i>	<u>\$ 169,158</u>	<u>\$ (1,049,327)</u>

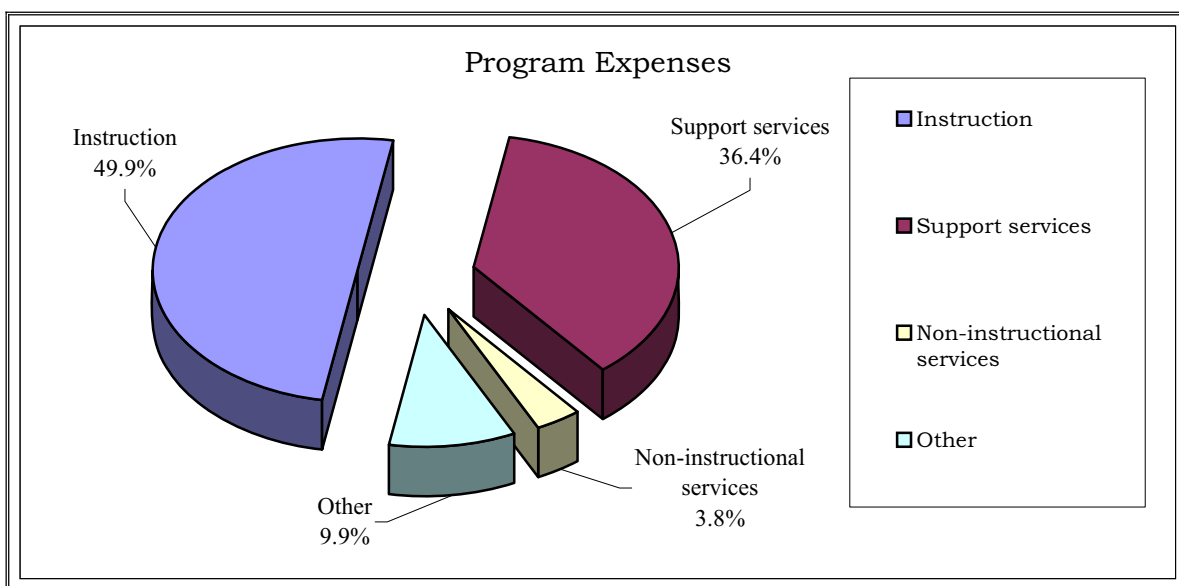
Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 62 percent of revenues for governmental activities for the School District in fiscal year 2007. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.



Instruction comprises 49.9 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 36.4 percent. The remaining 13.7 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.



Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

*Table 3
Governmental Activities*

	<i>Total Cost of Services <u>2007</u></i>	<i>Total Cost of Services <u>2006</u></i>	<i>Net Cost of Services <u>2007</u></i>	<i>Net Cost of Services <u>2006</u></i>
<u>Program Expenses:</u>				
<i>Instruction:</i>				
<i>Regular</i>	\$ 11,694,726	\$ 10,721,321	\$ (11,398,220)	\$ (10,423,732)
<i>Special</i>	2,391,597	2,225,319	(2,106,123)	(1,946,295)
<i>Vocational</i>	278,131	267,436	(266,756)	(267,436)
<i>Adult/continuing</i>	521	986	(521)	(986)
<i>Other</i>	332,028	403,904	(332,028)	(403,904)
<i>Support services:</i>				
<i>Pupils</i>	1,262,276	1,192,215	(1,112,296)	(1,069,453)
<i>Instructional staff</i>	1,657,555	1,549,011	(1,393,663)	(1,314,031)
<i>Board of education</i>	27,888	25,436	(27,888)	(25,436)
<i>Administration</i>	2,021,332	2,067,429	(1,905,181)	(1,909,012)
<i>Fiscal</i>	749,712	706,597	(749,712)	(706,597)
<i>Business</i>	78,529	36,062	(78,529)	(36,062)
<i>Operation and maintenance of plant</i>	3,203,861	3,768,269	(3,180,861)	(3,768,269)
<i>Pupil transportation</i>	1,527,721	1,542,484	(1,507,117)	(1,531,382)
<i>Central</i>	197,879	153,649	(172,325)	(128,503)
<i>Food service operations</i>	986,923	894,970	4,740	(16,344)
<i>Operation of community services</i>	146,024	135,893	(6,052)	(692)
<i>Extracurricular activities</i>	1,277,106	1,242,002	(1,049,336)	(1,023,992)
<i>Interest and fiscal charges</i>	1,636,900	2,972,182	(1,636,900)	(2,972,182)
<i>Total</i>	<u>\$ 29,470,709</u>	<u>\$ 29,905,165</u>	<u>\$ (26,918,768)</u>	<u>\$ (27,544,308)</u>

Highland Local School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$29,806,798 and total expenditures and other financing uses were \$29,438,976. The total net change in fund balance across all governmental funds was an increase of \$367,822, which indicates that the School District continues to be financially stable. This increase in fund balance is shown in the general and debt service funds which are both reported as major governmental funds. The net increase in fund balance for the year was most significant in the general fund, amounting to \$356,644, or 3.6 percent. This change in the general fund is due largely to increased revenues and a lesser increase in expenditures. Taxes increased by \$238,982 and intergovernmental revenue increased by \$663,536 as compared to the previous year. Net change in the debt service fund is \$39,218, which is anticipated based on projections of the revenue generated from the tax levy as compared to the debt service requirements for 2007.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During fiscal year 2007, the School District amended its general fund budget, however not significantly. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was \$23,544,639, which was higher than the original budget estimate of \$22,096,600. Most of this \$1,448,039 difference was due to conservative original budget estimates for property taxes and intergovernmental revenues. The actual revenues received were only \$18,380 higher than anticipated.

The original expenditures and other financing uses estimate of \$24,212,787 was revised slightly over the fiscal year. The final budgeted expenditures and other financing uses was \$24,607,946, which is an increase of \$395,159 or 1.6 percent from the original budget. Actual expenditures, including encumbrances and other financing uses were under budget by \$593,199. The largest part of this positive variance is due to expenditures budgeted for operation and maintenance of plant and were not needed for 2007 operations.

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2007
 Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$45,655,552 invested in capital assets. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

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

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<i>Land</i>	\$ 1,299,013	\$ 1,299,013
<i>Land improvements</i>	854,614	882,587
<i>Buildings and building improvements</i>	40,928,914	42,038,732
<i>Furniture, fixtures and equipment</i>	1,691,529	1,968,746
<i>Vehicles</i>	<u>881,482</u>	<u>802,921</u>
<i>Total capital assets</i>	<u>\$ 45,655,552</u>	<u>\$ 46,991,999</u>

The most significant change in capital assets reported by the School District during the current year was for the purchase of three new school buses and a passenger van. Although the School District did report a decrease in capital assets of \$183,950, the total carrying value of capital assets decreased by \$1,336,447, primarily due to the recognition of \$1,851,343 in depreciation expense. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2007, the School District had \$37,790,736 in bonds (including unamortized bond premium and bond accretion) outstanding with \$1,375,000 due within one year. Table 5 summarizes the bonds outstanding:

Table 5
Outstanding Debt, at Fiscal Year End
Governmental Activities

	<u>2007</u>	<u>2006</u>
<i>School improvement bonds</i>	\$ 37,790,736	\$ 39,282,637

During the 2002 fiscal year, the School District issued \$39,900,000 in bonds, the proceeds of which were used to finance the constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. Later in fiscal year 2006, the School District issued \$29,480,000 in general obligation bonds to advance refund \$29,480,000 of outstanding general obligation bonds.

At June 30, 2007, the School District's overall legal debt margin was \$22,121,469 with an unvoted debt margin of \$617,849. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund.

Highland Local School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

See Note 11, to the basic financial statements for details on the School District's debt.

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

Highland Local School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 13,992,621
Cash and cash equivalents:	
In segregated accounts	433,004
With fiscal agents	29,537
Receivables:	
Taxes	21,130,406
Accounts	3,544
Intergovernmental	469,935
Accrued interest	162,690
Prepaid items	39,720
Inventory held for resale	20,368
Materials and supplies inventory	2,547
Deferred charges	291,613
Capital assets:	
Land	1,299,013
Depreciable capital assets, net	44,356,539
Total assets	<u>82,231,537</u>
<u>Liabilities:</u>	
Accounts payable	85,273
Accrued wages	2,366,288
Matured compensated absences payable	203,420
Intergovernmental payable	680,102
Accrued interest payable	128,463
Matured interest payable	4,537
Matured bonds payable	25,000
Claims payable	4,668
Deferred revenue	18,382,563
Long-term liabilities:	
Due within one year	1,495,215
Due in more than one year	37,374,538
Total liabilities	<u>60,750,067</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	8,125,241
Restricted for:	
Capital projects	54,671
Debt service	2,377,566
Other purposes	279,073
Unrestricted	10,644,919
Total net assets	<u>\$ 21,481,470</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 11,694,726	\$ 225,761	\$ 70,745	\$ -	\$ (11,398,220)
Special	2,391,597	168,579	116,895	-	(2,106,123)
Vocational	278,131	-	-	11,375	(266,756)
Adult/continuing	521	-	-	-	(521)
Other	332,028	-	-	-	(332,028)
Support services:					
Pupils	1,262,276	150	149,830	-	(1,112,296)
Instructional staff	1,657,555	-	263,892	-	(1,393,663)
Board of education	27,888	-	-	-	(27,888)
Administration	2,021,332	-	116,151	-	(1,905,181)
Fiscal	749,712	-	-	-	(749,712)
Business	78,529	-	-	-	(78,529)
Operation and maintenance of plant	3,203,861	-	-	23,000	(3,180,861)
Pupil transportation	1,527,721	-	898	19,706	(1,507,117)
Central	197,879	-	25,554	-	(172,325)
Operation of non-instructional services:					
Food service operations	986,923	866,953	124,710	-	4,740
Community services	146,024	139,972	-	-	(6,052)
Extracurricular activities	1,277,106	223,847	3,923	-	(1,049,336)
Interest and fiscal charges	1,636,900	-	-	-	(1,636,900)
Total governmental activities	\$ 29,470,709	\$ 1,625,262	\$ 872,598	\$ 54,081	(26,918,768)

General Revenues:

Property taxes levied for:

General purposes	15,555,154
Debt service	2,829,115
Grants and entitlements not restricted to specific programs	7,611,072
Investment earnings	892,439
Miscellaneous	200,146

Total general revenues 27,087,926

Change in net assets 169,158

Net assets beginning of year 21,312,312

Net assets end of year \$ 21,481,470

See accompanying notes to the basic financial statements.

Highland Local School District

Balance Sheet

Governmental Funds

June 30, 2007

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 11,088,271	\$ 2,067,606	\$ 523,501	\$ 13,679,378
Cash and cash equivalents:				
With fiscal agents	-	29,537	-	29,537
Receivables:				
Taxes	17,907,842	3,222,564	-	21,130,406
Accounts	3,387	-	157	3,544
Intergovernmental	359,431	-	110,504	469,935
Interfund	110,484	-	-	110,484
Accrued interest	161,426	-	-	161,426
Inventory held for resale	-	-	20,368	20,368
Materials and supplies inventory	-	-	2,547	2,547
Prepaid items	39,720	-	-	39,720
Total assets	<u>\$ 29,670,561</u>	<u>\$ 5,319,707</u>	<u>\$ 657,077</u>	<u>\$ 35,647,345</u>
<u>Liabilities:</u>				
Accounts payable	\$ 79,298	\$ -	\$ 5,975	\$ 85,273
Accrued wages	2,242,127	-	124,161	2,366,288
Interfund payable	-	-	110,484	110,484
Intergovernmental payable	628,673	-	51,429	680,102
Matured compensated absences payable	203,420	-	-	203,420
Matured bonds payable	-	25,000	-	25,000
Matured interest payable	-	4,537	-	4,537
Deferred revenue	16,128,116	2,880,116	-	19,008,232
Total liabilities	<u>19,281,634</u>	<u>2,909,653</u>	<u>292,049</u>	<u>22,483,336</u>
<u>Fund balances:</u>				
Reserved for:				
Encumbrances	116,287	-	28,621	144,908
Endowments	-	-	8,000	8,000
Unreserved, undesignated, reported in:				
General fund	10,272,640	-	-	10,272,640
Special revenue funds	-	-	293,424	293,424
Debt service fund	-	2,410,054	-	2,410,054
Capital projects funds	-	-	34,983	34,983
Total fund balances	<u>10,388,927</u>	<u>2,410,054</u>	<u>365,028</u>	<u>13,164,009</u>
Total liabilities and fund balances	<u>\$ 29,670,561</u>	<u>\$ 5,319,707</u>	<u>\$ 657,077</u>	<u>\$ 35,647,345</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances		\$	13,164,009
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			45,655,552
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	625,669	
Deferred charges		291,613	
			917,282
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.			742,843
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(128,463)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(34,490,000)	
Capital appreciation bonds		(1,405,000)	
Accretion on bonds		(216,546)	
Premium on bonds		(1,679,190)	
Compensated absences		(1,047,829)	
Capital leases		(31,188)	
Total			(38,869,753)
Net assets of governmental activities		\$	<u>21,481,470</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 15,673,159	\$ 2,842,567	\$ -	\$ 18,515,726
Intergovernmental	7,302,529	339,624	915,371	8,557,524
Interest	875,617	-	6,867	882,484
Tuition and fees	285,367	-	254,307	539,674
Extracurricular activities	37,672	-	180,679	218,351
Gifts and donations	24,476	-	1,985	26,461
Charges for services	-	-	867,103	867,103
Rent	24,854	-	1,656	26,510
Miscellaneous	149,160	-	135	149,295
Total revenues	<u>24,372,834</u>	<u>3,182,191</u>	<u>2,228,103</u>	<u>29,783,128</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,863,398	-	183,908	11,047,306
Special	2,231,774	-	125,604	2,357,378
Vocational	263,085	-	-	263,085
Adult/continuing	521	-	-	521
Other	330,157	-	-	330,157
Support services:				
Pupils	1,074,027	-	153,927	1,227,954
Instructional staff	1,111,974	-	285,630	1,397,604
Board of education	27,888	-	-	27,888
Administration	1,790,403	5,960	125,719	1,922,082
Fiscal	705,506	28,513	-	734,019
Business	78,529	-	-	78,529
Operation and maintenance of plant	2,804,574	-	2,336	2,806,910
Pupil transportation	1,368,178	-	898	1,369,076
Central	166,965	-	26,605	193,570
Operation of non-instructional services:				
Food service operations	-	-	899,504	899,504
Community services	-	-	145,140	145,140
Extracurricular activities	740,514	-	206,272	946,786
Capital outlay	415,011	-	117,430	532,441
Debt service:				
Principal retirement	26,967	1,540,000	-	1,566,967
Interest and fiscal charges	2,889	1,568,500	-	1,571,389
Total expenditures	<u>24,002,360</u>	<u>3,142,973</u>	<u>2,272,973</u>	<u>29,418,306</u>
Excess of revenues over (under) expenditures	<u>370,474</u>	<u>39,218</u>	<u>(44,870)</u>	<u>364,822</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	3,000	-	-	3,000
Transfers in	1,920	-	18,750	20,670
Transfers out	(18,750)	-	(1,920)	(20,670)
Total other financing sources (uses)	<u>(13,830)</u>	<u>-</u>	<u>16,830</u>	<u>3,000</u>
Net change in fund balances	356,644	39,218	(28,040)	367,822
Fund balances beginning of year	10,032,283	2,370,836	393,068	12,796,187
Fund balances end of year	<u>\$ 10,388,927</u>	<u>\$ 2,410,054</u>	<u>\$ 365,028</u>	<u>\$ 13,164,009</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$	367,822
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	\$	555,441
Depreciation expense		<u>(1,851,343)</u>
Excess of depreciation expense over capital asset additions		(1,295,902)
The proceeds from the sale of capital assets are reported as a source of financing in the governmental funds. However, the cost of the capital assets sold is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a loss on the disposal of capital assets in the statement of activities. Thus, more revenue is reported in the governmental funds and more expenses in the statement of activities.		
		(40,545)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	\$	(131,456)
Intergovernmental		<u>(48,774)</u>
Net change in deferred revenues during the year		(180,230)
Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,566,967
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	\$	(83,327)
Decrease in accrued interest		<u>4,491</u>
Total additional expenditures		(78,836)
The amortization of issuance costs, bond premium and accretion is reflected as an expense in the statement of activities.		
Issuance cost	\$	(21,903)
Premium		126,127
Bond accretion		<u>(174,226)</u>
Total additional expenses		(70,002)
The internal service fund is used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(100,116)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>169,158</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 14,190,673	\$ 15,322,012	\$ 15,252,846	\$ (69,166)
Intergovernmental	6,736,585	6,942,099	6,943,098	999
Interest	680,000	680,000	730,423	50,423
Tuition and fees	302,264	302,264	285,367	(16,897)
Extracurricular activities	43,823	37,672	37,672	-
Gifts and donations	22,500	22,500	24,476	1,976
Rent	1,000	1,000	24,874	23,874
Miscellaneous	10,930	10,930	38,101	27,171
Total revenues	<u>21,987,775</u>	<u>23,318,477</u>	<u>23,336,857</u>	<u>18,380</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,495,205	10,644,878	10,634,403	10,475
Special	2,229,755	2,254,221	2,215,277	38,944
Vocational	285,269	269,482	264,491	4,991
Adult/continuing	1,220	1,400	1,395	5
Other	322,422	337,422	332,983	4,439
Support services:				
Pupils	1,054,393	1,136,272	1,090,371	45,901
Instructional staff	1,154,047	1,151,285	1,134,225	17,060
Board of education	30,547	24,703	24,891	(188)
Administration	1,869,217	1,856,379	1,824,047	32,332
Fiscal	744,932	721,448	711,499	9,949
Business	79,309	84,421	78,825	5,596
Operation and maintenance of plant	3,393,945	3,222,397	2,964,076	258,321
Pupil transportation	1,419,411	1,655,677	1,614,166	41,511
Central	122,055	190,153	166,759	23,394
Extracurricular activities	783,372	786,154	763,483	22,671
Capital outlay	227,688	138,243	61,152	77,091
Total expenditures	<u>24,212,787</u>	<u>24,474,535</u>	<u>23,882,043</u>	<u>592,492</u>
Excess of revenues over (under) expenditures	<u>(2,225,012)</u>	<u>(1,156,058)</u>	<u>(545,186)</u>	<u>610,872</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	-	2,292	3,000	708
Refund of prior year expenditures	2,000	117,045	116,338	(707)
Advances in	104,905	104,905	109,082	4,177
Advances out	-	(114,661)	(114,661)	-
Transfers in	1,920	1,920	1,920	-
Transfers out	-	(18,750)	(18,750)	-
Total other financing sources (uses)	<u>108,825</u>	<u>92,751</u>	<u>96,929</u>	<u>4,178</u>
Net change in fund balance	(2,116,187)	(1,063,307)	(448,257)	615,050
Fund balance at beginning of year	11,075,915	11,075,915	11,075,915	-
Prior year encumbrances appropriated	293,878	293,878	293,878	-
Fund balance at end of year	<u>\$ 9,253,606</u>	<u>\$ 10,306,486</u>	<u>\$ 10,921,536</u>	<u>\$ 615,050</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2007

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 313,243
Cash and cash equivalents:	
In segregated accounts	433,004
Interest receivable	1,264
Total assets	<u>747,511</u>
 <u>Liabilities:</u>	
Claims payable	<u>4,668</u>
 <u>Net assets:</u>	
Unrestricted	742,843
Total liabilities and net assets	<u>\$ 747,511</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2007

	Self Insurance
<u>Operating revenues:</u>	
Other revenues	\$ 12,545
<u>Operating expenses:</u>	
Purchased services	71,595
Claims	55,035
Total operating expenses	126,630
Operating loss	(114,085)
<u>Non-operating revenues</u>	
Interest	13,969
Change in net assets	(100,116)
Net assets beginning of year	842,959
Net assets end of year	\$ 742,843

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2007

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 14,357
Cash payments to suppliers for goods and services	(71,595)
Cash payments for claims	<u>(311,365)</u>
Net cash provided by (used for) operating activities	<u>(368,603)</u>
 <u>Cash flows from investing activities:</u>	
Interest on investments	<u>12,705</u>
Net cash provided by (used for) investing financing	<u>12,705</u>
 Net increase (decrease) in cash and cash equivalents	 (355,898)
 Cash and cash equivalents at beginning of year	 <u>1,102,145</u>
Cash and cash equivalents at end of year	<u>\$ 746,247</u>
 <u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</u>	
Operating income (loss)	<u>\$ (114,085)</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	1,812
Increase (decrease) in liabilities:	
Claims payable	<u>(256,330)</u>
Net cash provided by (used for) operating activities	<u>\$ (368,603)</u>

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	
	<u>Endowment</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 67,079	\$ 81,576
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 1,300
Due to students	-	80,276
Total liabilities	-	81,576
<u>Net assets:</u>		
Held in trust for scholarships	67,079	
Total net assets	\$ 67,079	

See accompanying notes to the basic financial statements.

Highland Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust <hr/> Endowment <hr/>
<u>Additions:</u>	
Interest	\$ 4,684
<u>Deductions:</u>	
Payments in accordance with trust agreements	2,601
Change in net assets	2,083
Net assets beginning of year	64,996
Net assets end of year	\$ 67,079

See accompanying notes to the basic financial statements.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF REPORTING ENTITY

A. 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 the former Granger-Sharon and Hinckley Local School Districts. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 167 non-certificated employees and 209 certificated teaching and support personnel, including 10 administrators that provide services to 3,211 students and other community members.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

B. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. Based on the above criteria, the School District had no component units at June 30, 2007.

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

C. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund and other internal activity of governmental funds are eliminated to avoid "doubling-up" revenues and expenses of governmental activities.

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

Fund Financial Statements

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

D. Fund Accounting

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Governmental Fund Types

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has two major governmental funds:

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

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

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement expenses for prescription drug claims of School District employees.

Fiduciary Fund Types

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

E. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

The private purpose trust fund is reported using the economic resources measurement focus.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The internal service fund, private purpose trust fund and agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenue - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, investment earnings, tuition, grants and entitlements, and student fees.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

F. Budgets and Budgetary Accounting

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

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

G. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit and an interest in STAROhio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as indicated in Note 3.

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

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Interfund balances, not services provided and used, are eliminated in the statement of net assets.

J. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

K. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. The School District expended all restricted assets in accordance with specific restrictions during the fiscal year. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Land improvements</i>	<i>5 - 20 years</i>
<i>Buildings and building improvements</i>	<i>20 - 50 years</i>
<i>Furniture, fixtures and equipment</i>	<i>3 - 20 years</i>
<i>Vehicles</i>	<i>10 - 20 years</i>

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for operating or capital costs for any new and innovative programs designed to enhance or promote education with the School District.

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

Q. Estimates

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

R. Fund Balance Reserves

The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates the portion of fund balances that are available for appropriation in future periods. Fund balance reserves are established for encumbrances and endowments.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presentation for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other uses 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).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
<i>GAAP basis</i>	\$ 356,644
<i>Revenue accruals</i>	(810,557)
<i>Expenditure accruals</i>	171,686
<i>Encumbrances (Budget basis) outstanding at year end</i>	<u>(166,030)</u>
<i>Budget basis</i>	<u>\$ (448,257)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on hand

At fiscal year-end, the School District had \$6,060 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$ 13,755,830. The School District's bank balance of \$13,974,448 was exposed to custodial credit risk as follows:

<i>Uninsured and collateral held by pledging bank's trust department in the School District's name</i>	<i>\$ 13,644,910</i>
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C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 630,000	75%	Daily	AAA ⁽¹⁾
STAROhio	<u>211,927</u>	25%	N/A	AAAm ⁽²⁾
	<u>\$ 841,927</u>			

⁽¹⁾ Standard and Poor's rating of underlying investment

⁽²⁾ Standard and Poor's rating

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$630,000 investment in a repurchase agreement is to be secured by the specific securities upon which the repurchase agreements are based. The security, held by the counterparty and not in the School District's name, is a Federal National Mortgage Association (FNMA) bond. The securities for these type of repurchase agreements must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAm rating and the FNMA bond an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service rating. The custodial risk associated with the repurchase agreements is discussed above.

All interest is legally required to be placed in the general fund, the food service special revenue fund and the Scholarships private purpose trust fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$875,617, which includes \$151,433 assigned from other School District funds.

NOTE 4 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and 23% of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and 0% for 2009.

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

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

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

Accrued property tax receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$1,779,726 in the general fund and \$342,448 in the debt service fund, and is recognized as revenue on the fund financial statements.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

<u>Property Category</u>	<u>2006</u> <u>Assessed Value</u>	<u>2005</u> <u>Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 549,534,630	\$ 528,513,190
Commercial, industrial and minerals	47,981,500	47,549,840
Public utilities	13,790	10,560
<u>Tangible Personal Property</u>		
General	8,320,613	12,482,341
Public utilities	11,998,520	11,688,790
Total	<u>\$ 617,849,053</u>	<u>\$ 600,244,721</u>

NOTE 5 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. Nonmajor governmental funds reported intergovernmental receivables in the amount of \$110,504 and the general fund reported intergovernmental receivables in the amount of \$359,431.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2007 consisted of the following:

<i>Due to general fund from:</i>	
Nonmajor governmental funds	\$ 110,484

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2007, all interfund loans outstanding are anticipated to be repaid in fiscal year 2008.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<i>Transfers to nonmajor governmental funds from:</i>	
<i>General fund</i>	\$ 18,750
<i>Transfer to general fund from:</i>	
<i>Nonmajor governmental fund</i>	\$ 1,920

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<i>Balance 7/1/2006</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance 6/30/2007</i>
<u>Governmental Activities</u>				
<i>Nondepreciable capital assets</i>				
<i>Land</i>	\$ 1,299,013	\$ -	\$ -	\$ 1,299,013
<i>Depreciable capital assets</i>				
<i>Land and improvements, depreciated</i>	1,570,857	35,650	-	1,606,507
<i>Buildings and building improvements</i>	51,674,433	155,026	(30,030)	51,799,429
<i>Furniture, fixtures, and equipment</i>	3,548,912	131,632	(101,000)	3,579,544
<i>Vehicles</i>	2,390,178	233,133	(52,920)	2,570,391
<i>Total depreciable capital assets</i>	<u>59,184,380</u>	<u>555,441</u>	<u>(183,950)</u>	<u>59,555,871</u>
<i>Less accumulated depreciation:</i>				
<i>Land improvements</i>	(688,270)	(63,623)	-	(751,893)
<i>Buildings and building improvements</i>	(9,635,701)	(1,259,911)	25,097	(10,870,515)
<i>Furniture, fixtures, and equipment</i>	(1,580,166)	(378,550)	70,701	(1,888,015)
<i>Vehicles</i>	(1,587,257)	(149,259)	47,607	(1,688,909)
<i>Total accumulated depreciation</i>	<u>(13,491,394)</u>	<u>(1,851,343)</u>	<u>143,405</u>	<u>(15,199,332)</u>
<i>Depreciable capital assets, net</i>				
<i>Governmental activities</i>	<u>45,692,986</u>	<u>(1,295,902)</u>	<u>(40,545)</u>	<u>44,356,539</u>
<i>Capital assets, net</i>	<u>\$ 46,991,999</u>	<u>\$ (1,295,902)</u>	<u>\$ (40,545)</u>	<u>\$ 45,655,552</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 518,139
<i>Special</i>	22,032
<i>Vocational</i>	9,687
<i>Support services:</i>	
<i>Pupils</i>	61,315
<i>Instructional staff</i>	242,015
<i>Administration</i>	47,250
<i>Fiscal</i>	6,608
<i>Operation and maintenance of plant</i>	377,056
<i>Pupil transportation</i>	152,399
<i>Central</i>	4,051
<i>Food service operations</i>	84,819
<i>Extracurricular activities</i>	<u>325,972</u>
<i>Total depreciation expense</i>	<u>\$ 1,851,343</u>

NOTE 8 - RISK MANAGEMENT

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

The School District uses an internal service fund to record and report its self-funded prescription drug program. The claims liability of \$4,668, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

As of January 1, 2006 the School District is no longer entirely self-insured. They now purchase commercial health insurance for all School District employees with an exception of paying claims for prescriptions benefits for their employees.

Changes in the fund's claims liability during 2006 and 2007 were:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2006	\$ 293,455	1,308,873	(1,341,330)	260,998
2007	\$ 260,998	55,035	(311,365)	4,668

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$417,161, \$444,886, and \$398,278, respectively; 46% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$247,794, representing the unpaid contribution for fiscal year 2007 is recorded as an intergovernmental payable.

B. State Teachers Retirement System of Ohio

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10% of their annual covered salaries and the School District was required to contribute 14%. For fiscal year 2006, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,424,169, \$1,413,977, and \$1,346,109, respectively; 83% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$237,298, representing the unpaid contribution for fiscal year 2007, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2007 were \$22,318 made by the School District and \$36,366 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, four members of the Board of Education have elected Social Security and one member chose the School Employees Retirement System. The Board's liability is 6.2% of wages paid.

NOTE 10 - POST-EMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$109,551 during the 2007 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.5 billion at June 30, 2006 (the latest information available). For the year ended June 30, 2006 (the latest information available) the net health care costs paid by the STRS were \$282,743,000 and eligible benefit recipients totaled 119,184.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For the fiscal year 2007, employer contributions to fund health care benefits were 3.32% of covered payroll, compared to 3.42% of covered payroll for fiscal year 2006.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$181,082, which includes a surcharge of \$51,403 during the 2007 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, (the latest information available) were \$158,751,207. The target level for the health care reserve is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claims costs. The number of participants eligible to receive benefits is 59,492.

NOTE 11 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

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

<i>Governmental activities</i>	<i>Balance July 1, 2006</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2007</i>	<i>Due within one year</i>
<i>General obligation bonds</i>					
<i>School Improvement Bonds</i>					
<i>Maturing December 1, 2017</i>	\$ 7,955,000	\$ -	\$ (1,005,000)	\$ 6,950,000	\$ 1,115,000
<i>School Improvement Bonds maturing December 1, 2024</i>					
<i>Serial and term bonds</i>	28,075,000	-	(535,000)	27,540,000	260,000
<i>Capital appreciation bonds</i>	1,405,000	-	-	1,405,000	-
<i>Premium on bonds</i>	1,805,317	-	(126,127)	1,679,190	-
<i>Accretion on bonds</i>	42,320	174,226	-	216,546	-
<i>Total general obligation bonds</i>	<u>39,282,637</u>	<u>174,226</u>	<u>(1,666,127)</u>	<u>37,790,736</u>	<u>1,375,000</u>
<i>Other Obligations</i>					
<i>Compensated absences</i>	964,502	349,445	(266,118)	1,047,829	91,502
<i>Capital leases</i>	58,155	-	(26,967)	31,188	28,713
<i>Total other obligations</i>	<u>1,022,657</u>	<u>349,445</u>	<u>(293,085)</u>	<u>1,079,017</u>	<u>120,215</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 40,305,294</u>	<u>\$ 523,671</u>	<u>\$ (1,959,212)</u>	<u>\$ 38,869,753</u>	<u>\$ 1,495,215</u>

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

General Obligation Bonds: During fiscal year 2002, the School District issued \$39,900,000 in School Improvement bonds. The School Improvement bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The bonds were issued for providing resources for constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. The bonds and interest are to be repaid by the debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

On February 27, 2006, the School District issued \$29,480,000 in General Obligation Bonds with an average interest rate of 4.25% to advance refund \$29,480,000 of outstanding School Improvement Bonds with an average interest rate of 4.68%. The bond proceeds consisted of bond principal and \$1,933,776 of premium. The net proceeds of \$29,144,176 (after payment of \$335,824 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. These bonds include serial and capital appreciation bonds. Current year additions amounted to \$174,226 which represents the accretion of discounted interest. As a result of this issue, a portion of the School Improvement Facilities Bonds are considered to be defeased and the liability has been removed.

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

Principal and interest requirements to amortize all bonds outstanding at June 30, 2007 are as follows:

<i>Fiscal</i>	<i>School Improvement Bonds</i>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,375,000	\$ 1,514,700	\$ 2,889,700
2009	1,510,000	1,458,325	2,968,325
2010	1,655,000	1,389,525	3,044,525
2011	1,820,000	1,306,925	3,126,925
2012	1,990,000	1,215,725	3,205,725
2013-2017	4,780,000	7,403,000	12,183,000
2018-2022	8,405,000	5,547,591	13,952,591
2023-2027	<u>14,360,000</u>	<u>1,682,953</u>	<u>16,042,953</u>
<i>Total</i>	<u>\$ 35,895,000</u>	<u>\$ 21,518,744</u>	<u>\$ 57,413,744</u>

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Capital assets acquired by lease have been capitalized as equipment in the amount of \$233,879 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$26,967.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments at year-end.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2008	\$ 29,856
2009	<u>2,488</u>
<i>Total minimum lease payments</i>	32,344
<i>Less: amount representing interest</i>	<u>(1,156)</u>
<i>Total</i>	<u>\$ 31,188</u>

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 these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, which serves as fiscal agent. During fiscal year 2007, the School District contributed \$48,626 to LEECA.

NOTE 14 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

HIGHLAND LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - STATUTORY RESERVES

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

During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2006</i>	\$ (51,355)	\$ -	\$ (51,355)
<i>Current year set-aside requirement</i>	451,116	451,116	902,232
<i>Qualifying disbursements</i>	<u>(469,770)</u>	<u>(520,806)</u>	<u>(990,576)</u>
<i>Total</i>	<u>\$ (70,009)</u>	<u>\$ (69,690)</u>	<u>\$ (139,699)</u>
<i>Balance carried forward to future years</i>	<u>\$ (70,009)</u>		<u>\$ (70,009)</u>

**Combining Statements for Nonmajor
Governmental Funds**

COMBINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

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

Food Service

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

Special Trust

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

Uniform School Supplies

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

Public School Support

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

Miscellaneous Local Grant

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

Latchkey

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

Underground Storage Tanks

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

District Managed Student Activity

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

Management Information Systems

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

Entry Year Programs

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

Data Communications

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

SchoolNet Professional Development

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

Ohio Reads

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

Miscellaneous State Grants

To account for various monies received through state agencies which are not classified elsewhere.

IDEA, Part B

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

Title V

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

Drug-Free Schools

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

EHA Preschool Grant for Handicapped

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

Improving Teacher Quality

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

Miscellaneous Federal Grants

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

Permanent Improvement

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

Building

To account for the receipts and expenditures related to all special bond funds of the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Highland Local School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 468,987	\$ 54,514	\$ 523,501
Receivables:			
Accounts	-	157	157
Intergovernmental	110,504	-	110,504
Inventory held for resale	20,368	-	20,368
Materials and supplies inventory	2,547	-	2,547
Total assets	<u>\$ 602,406</u>	<u>\$ 54,671</u>	<u>\$ 657,077</u>
<u>Liabilities and fund equity:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 5,975	\$ -	\$ 5,975
Accrued wages	124,161	-	124,161
Interfund payable	110,484	-	110,484
Intergovernmental payable	51,429	-	51,429
Total liabilities	<u>292,049</u>	<u>-</u>	<u>292,049</u>
<u>Fund balance:</u>			
Reserved for encumbrances	8,933	19,688	28,621
Reserved for endowments	8,000	-	8,000
Unreserved:			
Undesignated, reported in:			
Special revenue funds	293,424	-	293,424
Capital projects funds	-	34,983	34,983
Total fund balances	<u>310,357</u>	<u>54,671</u>	<u>365,028</u>
Total liabilities and fund balances	<u>\$ 602,406</u>	<u>\$ 54,671</u>	<u>\$ 657,077</u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 915,371	\$ -	\$ 915,371
Interest	4,014	2,853	6,867
Tuition and fees	254,307	-	254,307
Extracurricular activities	180,679	-	180,679
Gifts and donations	1,985	-	1,985
Charges for services	867,103	-	867,103
Rent	-	1,656	1,656
Miscellaneous	135	-	135
Total revenues	<u>2,223,594</u>	<u>4,509</u>	<u>2,228,103</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	183,908	-	183,908
Special	125,604	-	125,604
Support services:			
Pupils	153,926	1	153,927
Instructional staff	285,630	-	285,630
Administration	125,719	-	125,719
Operation and maintenance of plant	-	2,336	2,336
Pupil transportation	898	-	898
Central	26,605	-	26,605
Food service operations	899,504	-	899,504
Operation of community services	145,140	-	145,140
Extracurricular activities	206,272	-	206,272
Capital outlay	53,495	63,935	117,430
Total expenditures	<u>2,206,701</u>	<u>66,272</u>	<u>2,272,973</u>
Excess of revenues over (under) expenditures	<u>16,893</u>	<u>(61,763)</u>	<u>(44,870)</u>
<u>Other financing sources (uses):</u>			
Transfers in	9,000	9,750	18,750
Transfers out	(1,920)	-	(1,920)
Total other financing sources (uses)	<u>7,080</u>	<u>9,750</u>	<u>16,830</u>
Net change in fund balances	23,973	(52,013)	(28,040)
Fund balances at beginning of year	286,384	106,684	393,068
Fund balances at end of year	<u>\$ 310,357</u>	<u>\$ 54,671</u>	<u>\$ 365,028</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	Food Service	Special Trust	Uniform School Supplies	Public School Support
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 157,660	\$ 26,774	\$ 18,103	\$ 62,004
Receivables:				
Intergovernmental	-	-	-	-
Inventory held for resale	20,368	-	-	-
Materials and supplies inventory	2,547	-	-	-
Total assets	<u>\$ 180,575</u>	<u>\$ 26,774</u>	<u>\$ 18,103</u>	<u>\$ 62,004</u>
<u>Liabilities:</u>				
Accounts payable	\$ 16	\$ -	\$ -	\$ 5,672
Accrued wages	52,671	-	-	-
Interfund payable	-	-	-	-
Intergovernmental payable	24,946	-	-	-
Total liabilities	<u>77,633</u>	<u>-</u>	<u>-</u>	<u>5,672</u>
<u>Fund balances:</u>				
Reserved for encumbrances	9	-	-	4,335
Reserved for endowments	-	8,000	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	102,933	18,774	18,103	51,997
Total fund balances	<u>102,942</u>	<u>26,774</u>	<u>18,103</u>	<u>56,332</u>
Total liabilities and fund balances	<u>\$ 180,575</u>	<u>\$ 26,774</u>	<u>\$ 18,103</u>	<u>\$ 62,004</u>

<u>Miscellaneous Local Grant</u>	<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>
\$ 5,373	\$ 61,630	\$ 11,000	\$ 4,257	\$ 264	\$ -	\$ -
-	-	-	-	-	2,120	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,373</u>	<u>\$ 61,630</u>	<u>\$ 11,000</u>	<u>\$ 4,257</u>	<u>\$ 264</u>	<u>\$ 2,120</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 263	\$ -	\$ -
4,168	10,607	-	-	-	-	-
-	-	-	-	-	2,100	-
60	4,899	-	-	-	-	-
<u>4,228</u>	<u>15,506</u>	<u>-</u>	<u>-</u>	<u>263</u>	<u>2,100</u>	<u>-</u>
-	-	-	1,913	-	-	-
-	-	-	-	-	-	-
<u>1,145</u>	<u>46,124</u>	<u>11,000</u>	<u>2,344</u>	<u>1</u>	<u>20</u>	<u>-</u>
<u>1,145</u>	<u>46,124</u>	<u>11,000</u>	<u>4,257</u>	<u>1</u>	<u>20</u>	<u>-</u>
<u>\$ 5,373</u>	<u>\$ 61,630</u>	<u>\$ 11,000</u>	<u>\$ 4,257</u>	<u>\$ 264</u>	<u>\$ 2,120</u>	<u>\$ -</u>

(Continued)

Highland Local School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	School Net Professional Development	Ohio Reads	Miscellaneous State Grants	IDEA, Part B
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ 120,800
Receivables:				
Intergovernmental	-	-	-	103,981
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,781</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 24
Accrued wages	-	-	-	56,715
Interfund payable	-	-	-	103,981
Intergovernmental payable	-	-	-	21,524
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,244</u>
<u>Fund balances:</u>				
Reserved for encumbrances	-	-	-	2,386
Reserved for endowments	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	-	40,151
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,537</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,781</u>

<u>Title V</u>	<u>Drug-Free Schools</u>	<u>EHA Preschool Grant for Handicapped</u>	<u>Improving Teacher Quality</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 290	\$ -	\$ -	\$ 832	\$ -	\$ 468,987
-	3,106	1,202	95	-	110,504
-	-	-	-	-	20,368
-	-	-	-	-	2,547
<u>\$ 290</u>	<u>\$ 3,106</u>	<u>\$ 1,202</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 602,406</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,975
-	-	-	-	-	124,161
-	3,106	1,202	95	-	110,484
-	-	-	-	-	51,429
<u>-</u>	<u>3,106</u>	<u>1,202</u>	<u>95</u>	<u>-</u>	<u>292,049</u>
290	-	-	-	-	8,933
-	-	-	-	-	8,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>832</u>	<u>-</u>	<u>293,424</u>
<u>290</u>	<u>-</u>	<u>-</u>	<u>832</u>	<u>-</u>	<u>310,357</u>
<u>\$ 290</u>	<u>\$ 3,106</u>	<u>\$ 1,202</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 602,406</u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2007

	Food Service	Special Trust	Uniform School Supplies	Public School Support
<u>Revenues:</u>				
Intergovernmental	\$ 122,632	\$ -	\$ -	\$ -
Interest	2,077	1,937	-	-
Tuition and fees	-	-	108,973	34,987
Extracurricular activities	-	-	-	44,434
Gifts and donations	-	-	-	-
Charges for services	866,953	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>991,662</u>	<u>1,937</u>	<u>108,973</u>	<u>79,421</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	-	109,133	-
Special	-	-	-	-
Support services:				
Pupils	-	-	-	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	899,504	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	1,546	-	89,774
Capital outlay	49,359	-	-	-
Total expenditures	<u>948,863</u>	<u>1,546</u>	<u>109,133</u>	<u>89,774</u>
Excess of revenues over (under) expenditures	<u>42,799</u>	<u>391</u>	<u>(160)</u>	<u>(10,353)</u>
<u>Other financing sources (uses):</u>				
Transfers in	3,000	-	-	3,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Net change in fund balances	45,799	391	(160)	(7,353)
Fund balances at beginning of year	57,143	26,383	18,263	63,685
Fund balances at end of year	<u>\$ 102,942</u>	<u>\$ 26,774</u>	<u>\$ 18,103</u>	<u>\$ 56,332</u>

<u>Miscellaneous Local Grant</u>	<u>Latchkey</u>	<u>Underground Storage Tanks</u>	<u>District Managed Student Activity</u>	<u>Management Information Systems</u>	<u>Entry Year Programs</u>	<u>Data Communications</u>
\$ 60,221	\$ -	\$ -	\$ -	\$ 10,554	\$ 2,120	\$ 15,000
-	-	-	-	-	-	-
-	110,347	-	-	-	-	-
-	29,625	-	106,620	-	-	-
-	-	-	1,985	-	-	-
150	-	-	-	-	-	-
-	-	-	135	-	-	-
<u>60,371</u>	<u>139,972</u>	<u>-</u>	<u>108,740</u>	<u>10,554</u>	<u>2,120</u>	<u>15,000</u>
2,556	-	-	-	-	2,100	-
-	-	-	-	-	-	-
57,579	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,605	-	15,000
-	-	-	-	-	-	-
-	145,140	-	-	-	-	-
-	-	-	114,952	-	-	-
-	-	-	-	4,136	-	-
<u>60,135</u>	<u>145,140</u>	<u>-</u>	<u>114,952</u>	<u>15,741</u>	<u>2,100</u>	<u>15,000</u>
<u>236</u>	<u>(5,168)</u>	<u>-</u>	<u>(6,212)</u>	<u>(5,187)</u>	<u>20</u>	<u>-</u>
-	-	-	3,000	-	-	-
-	(1,920)	-	-	-	-	-
-	(1,920)	-	3,000	-	-	-
236	(7,088)	-	(3,212)	(5,187)	20	-
909	53,212	11,000	7,469	5,188	-	-
<u>\$ 1,145</u>	<u>\$ 46,124</u>	<u>\$ 11,000</u>	<u>\$ 4,257</u>	<u>\$ 1</u>	<u>\$ 20</u>	<u>\$ -</u>

(Continued)

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2007

	School Net Professional Development	Ohio Reads	Miscellaneous State Grants	IDEA, Part B
<u>Revenues:</u>				
Intergovernmental	\$ 3,300	\$ 6,000	\$ 7,833	\$ 615,592
Interest	-	-	-	-
Tuition and fees	-	-	-	-
Extracurricular activities	-	-	-	-
Gifts and donations	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>3,300</u>	<u>6,000</u>	<u>7,833</u>	<u>615,592</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,925	6,000	-	-
Special	-	-	-	113,648
Support services:				
Pupils	-	-	7,833	88,514
Instructional staff	-	-	-	285,630
Administration	-	-	-	125,719
Pupil transportation	-	-	-	-
Central	-	-	-	-
Food service operations	-	-	-	-
Operation of community services	-	-	-	-
Extracurricular activities	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>3,925</u>	<u>6,000</u>	<u>7,833</u>	<u>613,511</u>
Excess of revenues over (under) expenditures	<u>(625)</u>	<u>-</u>	<u>-</u>	<u>2,081</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(625)	-	-	2,081
Fund balances at beginning of year	625	-	-	40,456
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,537</u>

<u>Title V</u>	<u>Drug-Free Schools</u>	<u>EHA Preschool Grant for Handicapped</u>	<u>Improving Teacher Quality</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 4,017	\$ 5,366	\$ 11,897	\$ 50,384	\$ 455	\$ 915,371
-	-	-	-	-	4,014
-	-	-	-	-	254,307
-	-	-	-	-	180,679
-	-	-	-	-	1,985
-	-	-	-	-	867,103
-	-	-	-	-	135
<u>4,017</u>	<u>5,366</u>	<u>11,897</u>	<u>50,384</u>	<u>455</u>	<u>2,223,594</u>
3,727	4,468	-	51,544	455	183,908
-	-	11,956	-	-	125,604
-	-	-	-	-	153,926
-	-	-	-	-	285,630
-	-	-	-	-	125,719
-	898	-	-	-	898
-	-	-	-	-	26,605
-	-	-	-	-	899,504
-	-	-	-	-	145,140
-	-	-	-	-	206,272
-	-	-	-	-	53,495
<u>3,727</u>	<u>5,366</u>	<u>11,956</u>	<u>51,544</u>	<u>455</u>	<u>2,206,701</u>
<u>290</u>	<u>-</u>	<u>(59)</u>	<u>(1,160)</u>	<u>-</u>	<u>16,893</u>
-	-	-	-	-	9,000
-	-	-	-	-	(1,920)
-	-	-	-	-	7,080
290	-	(59)	(1,160)	-	23,973
-	-	59	1,992	-	286,384
<u>\$ 290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 832</u>	<u>\$ -</u>	<u>\$ 310,357</u>

Highland Local School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2007

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 4,876	\$ 49,638	\$ 54,514
Receivables:			
Accounts	157	-	157
Total assets	<u>\$ 5,033</u>	<u>\$ 49,638</u>	<u>\$ 54,671</u>
<u>Liabilities:</u>			
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fund balance:</u>			
Reserved for encumbrances	-	19,688	19,688
Unreserved:			
Undesignated, reported in:			
Capital projects funds	5,033	29,950	34,983
Total liabilities and fund balance	<u>\$ 5,033</u>	<u>\$ 49,638</u>	<u>\$ 54,671</u>

Highland Local School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2007

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Total Nonmajor Capital Projects Funds</u>
<u>Revenues:</u>			
Interest	\$ -	\$ 2,853	\$ 2,853
Rent	1,656	-	1,656
Total revenues	<u>1,656</u>	<u>2,853</u>	<u>4,509</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	1	-	1
Support services:			
Operation and maintenance of plant	-	2,336	2,336
Capital outlay	-	63,935	63,935
Total expenditures	<u>1</u>	<u>66,271</u>	<u>66,272</u>
Excess of revenues over (under) expenditures	<u>1,655</u>	<u>(63,418)</u>	<u>(61,763)</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	9,750	9,750
Net change in fund balances	1,655	(53,668)	(52,013)
Fund balances at beginning of year	<u>3,378</u>	<u>103,306</u>	<u>106,684</u>
Fund balances at end of year	<u>\$ 5,033</u>	<u>\$ 49,638</u>	<u>\$ 54,671</u>

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

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Debt Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Taxes	\$ 2,759,019	\$ 2,759,019	\$ -
Intergovernmental	339,624	339,624	-
Total revenues	<u>3,098,643</u>	<u>3,098,643</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Support services:			
Administration	6,000	5,960	40
Fiscal	29,675	28,513	1,162
Debt service:			
Principal retirement	1,540,000	1,540,000	-
Interest and fiscal charges	1,568,500	1,568,500	-
Total expenditures	<u>3,144,175</u>	<u>3,142,973</u>	<u>1,202</u>
Net change in fund balance	(45,532)	(44,330)	1,202
Fund balance at beginning of year	2,111,937	2,111,937	-
Fund balance at end of year	<u>\$ 2,066,405</u>	<u>\$ 2,067,607</u>	<u>\$ 1,202</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Food Service Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 85,028	\$ 85,028	\$ -
Interest	2,053	2,077	24
Charges for services	867,294	867,294	-
Total revenues	<u>954,375</u>	<u>954,399</u>	<u>24</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services:			
Food service operations	1,069,911	912,693	157,218
Excess of revenues over (under) expenditures	<u>(115,536)</u>	<u>41,706</u>	<u>157,242</u>
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(20)	-	20
Transfers in	3,000	3,000	-
Total other financing sources (uses)	<u>2,980</u>	<u>3,000</u>	<u>20</u>
Net change in fund balance	(112,556)	44,706	157,262
Fund balance at beginning of year	112,556	112,556	-
Prior year encumbrances appropriated	373	373	-
Fund balance at end of year	<u>\$ 373</u>	<u>\$ 157,635</u>	<u>\$ 157,262</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Special Trust Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 1,557	\$ 1,937	\$ 380
<u>Expenditures:</u>			
Current:			
Extracurricular activities	4,525	1,546	2,979
Net change in fund balance	(2,968)	391	3,359
Fund balance at beginning of year	26,383	26,383	-
Fund balance at end of year	<u>\$ 23,415</u>	<u>\$ 26,774</u>	<u>\$ 3,359</u>

Uniform School Supplies Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 108,898	\$ 108,973	\$ 75
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	120,000	109,133	10,867
Net change in fund balance	(11,102)	(160)	10,942
Fund balance at beginning of year	18,262	18,262	-
Fund balance at end of year	<u>\$ 7,160</u>	<u>\$ 18,102</u>	<u>\$ 10,942</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Public School Support Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 34,957	\$ 34,987	\$ 30
Extracurricular activities	44,392	44,434	42
Total revenues	<u>79,349</u>	<u>79,421</u>	<u>72</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	91,737	91,737	-
Excess of revenues over (under) expenditures	<u>(12,388)</u>	<u>(12,316)</u>	<u>72</u>
<u>Other financing sources (uses):</u>			
Transfers in	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net change in fund balance	(9,388)	(9,316)	72
Fund balance at beginning of year	56,759	56,759	-
Prior year encumbrances appropriated	6,926	6,926	-
Fund balance at end of year	<u>\$ 54,297</u>	<u>\$ 54,369</u>	<u>\$ 72</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Miscellaneous Local Grant Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 60,221	\$ 60,221	\$ -
Miscellaneous	150	150	-
Total revenues	<u>60,371</u>	<u>60,371</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,611	2,556	1,055
Support services:			
Pupils	63,842	59,674	4,168
Operation of non-instructional services:			
Community services	150	-	150
Total expenditures	<u>67,603</u>	<u>62,230</u>	<u>5,373</u>
Net change in fund balance	(7,232)	(1,859)	5,373
Fund balance at beginning of year	7,232	7,232	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 5,373</u>	<u>\$ 5,373</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Latchkey Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Tuition and fees	\$ 110,347	\$ 110,347	\$ -
Extracurricular activities	29,625	29,625	-
Total revenues	<u>139,972</u>	<u>139,972</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Operation of non-instructional services:			
Community services	191,730	139,635	52,095
Excess of revenues over (under) expenditures	<u>(51,758)</u>	<u>337</u>	<u>52,095</u>
<u>Other financing sources (uses):</u>			
Advances in	4,177	4,177	-
Advances out	(4,177)	(4,177)	-
Transfers out	(1,920)	(1,920)	-
Total other financing sources (uses)	<u>(1,920)</u>	<u>(1,920)</u>	<u>-</u>
Net change in fund balance	(53,678)	(1,583)	52,095
Fund balance at beginning of year	63,214	63,214	-
Fund balance at end of year	<u>\$ 9,536</u>	<u>\$ 61,631</u>	<u>\$ 52,095</u>

Underground Storage Tanks Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Total expenditures	-	-	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	11,000	11,000	-
Fund balance at end of year	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

District Managed Student Activity Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Extracurricular activities	\$ 106,620	\$ 106,620	\$ -
Gifts and donations	1,985	1,985	-
Miscellaneous	135	135	-
Total revenues	<u>108,740</u>	<u>108,740</u>	<u>-</u>
<u>Expenditures:</u>			
Current:			
Extracurricular activities	116,866	116,865	1
Excess of revenues over (under) expenditures	<u>(8,126)</u>	<u>(8,125)</u>	<u>1</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	3,000	3,000	-
Transfers in	3,785	3,785	-
Total other financing sources (uses)	<u>6,785</u>	<u>6,785</u>	<u>-</u>
Net change in fund balance	(1,341)	(1,340)	1
Fund balance at beginning of year	3,684	3,684	-
Fund balance at end of year	<u>\$ 2,343</u>	<u>\$ 2,344</u>	<u>\$ 1</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Management Information Systems Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 10,554	\$ 10,554	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	15,742	15,741	1
Net change in fund balance	(5,188)	(5,187)	1
Fund balance at beginning of year	4,522	4,522	-
Prior year encumbrances appropriated	666	666	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

Entry Year Programs Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,100	2,100	-
Excess of revenues over (under) expenditures	(2,100)	(2,100)	-
<u>Other financing sources (uses):</u>			
Advances in	2,100	2,100	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Data Communications Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 15,000	\$ 15,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central	15,000	15,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SchoolNet Professional Development Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 3,300	\$ 3,300	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,925	3,925	-
Net change in fund balance	(625)	(625)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	625	625	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Ohio Reads Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 6,000	\$ 6,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,000	6,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Miscellaneous State Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 7,833	\$ 7,833	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	7,833	7,833	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

IDEA, Part B Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 669,647	\$ 565,666	\$ (103,981)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	152,817	111,238	41,579
Support services:			
Pupils	96,736	82,058	14,678
Instructional staff	295,106	248,538	46,568
Administration	147,875	132,310	15,565
Total expenditures	692,534	574,144	118,390
Excess of revenues over (under) expenditures	(22,887)	(8,478)	14,409
<u>Other financing sources (uses):</u>			
Advances in	-	103,981	103,981
Advances out	(102,829)	(102,829)	-
Total other financing sources (uses)	(102,829)	1,152	103,981
Net change in fund balance	(125,716)	(7,326)	118,390
Fund balance at beginning of year	101,853	101,853	-
Prior year encumbrances appropriated	23,863	23,863	-
Fund balance at end of year	\$ -	\$ 118,390	\$ 118,390

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Title V Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 4,017	\$ 4,017	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,017	4,017	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Drug-Free Schools Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 5,366	\$ 2,260	\$ (3,106)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,326	4,468	(142)
Support services:			
Pupil transportation	1,040	898	142
Total expenditures	5,366	5,366	-
Excess of revenues over (under) expenditures	-	(3,106)	(3,106)
<u>Other financing sources (uses):</u>			
Advances in	-	3,106	3,106
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

EHA Preschool Grant for Handicapped Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 13,260	\$ 12,057	\$ (1,203)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special	13,319	13,319	-
Excess of revenues over (under) expenditures	(59)	(1,262)	(1,203)
<u>Other financing sources (uses):</u>			
Advances in	-	1,202	1,202
Advances out	(1,362)	(1,362)	-
Total other financing sources (uses)	(1,362)	(160)	1,202
Net change in fund balance	(1,421)	(1,422)	(1)
Fund balance at beginning of year	1,422	1,422	-
Fund balance at end of year	\$ 1	\$ -	\$ (1)

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Improving Teacher Quality Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 51,098	\$ 51,003	\$ (95)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	52,376	51,544	832
Excess of revenues over (under) expenditures	(1,278)	(541)	737
<u>Other financing sources (uses):</u>			
Advances in	-	95	95
Advances out	(714)	(714)	-
Total other financing sources (uses)	(714)	(619)	95
Net change in fund balance	(1,992)	(1,160)	832
Fund balance at beginning of year	1,992	1,992	-
Fund balance at end of year	\$ -	\$ 832	\$ 832

Miscellaneous Federal Grants Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 455	\$ 455	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	455	455	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Highland Local School District
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Permanent Improvement Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Rent	\$ 1,681	\$ 1,681	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Pupils	4,538	-	4,538
Net change in fund balance	(2,857)	1,681	4,538
Fund balance at beginning of year	3,196	3,196	-
Fund balance at end of year	\$ 339	\$ 4,877	\$ 4,538

Building Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 2,853	\$ 2,853	\$ -
<u>Expenditures:</u>			
Capital outlay	87,276	85,958	1,318
Excess of revenues over (under) expenditures	(84,423)	(83,105)	1,318
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	10,000	10,000	-
Transfers in	9,750	9,750	-
Total other financing sources (uses)	19,750	19,750	-
Net change in fund balance	(64,673)	(63,355)	1,318
Fund balance at beginning of year	6,030	6,030	-
Prior year encumbrances appropriated	87,276	87,276	-
Fund balance at end of year	\$ 28,633	\$ 29,951	\$ 1,318

Internal Service Fund

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

Fiduciary Funds

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

Statement of Changes in Assets and Liabilities – Agency Fund

Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Self Insurance Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 18	\$ 18	\$ -
Other revenues	10,364	14,339	3,975
Refund of prior year expense	12,705	12,705	-
Total revenues	<u>23,087</u>	<u>27,062</u>	<u>3,975</u>
<u>Expenses:</u>			
Purchased services	309,156	71,594	237,562
Claims	210,362	398,582	(188,220)
Other	567,020	245,525	321,495
Total expenses	<u>1,086,538</u>	<u>715,701</u>	<u>370,837</u>
Net change in fund equity	(1,063,451)	(688,639)	374,812
Fund equity at beginning of year	911,014	911,014	-
Prior year encumbrances appropriated	191,131	191,131	-
Fund equity at end of year	<u>\$ 38,694</u>	<u>\$ 413,506</u>	<u>\$ 374,812</u>

Highland Local School District
Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2007

Endowment Fund

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Interest	\$ 3,726	\$ 4,684	\$ 958
<u>Expenses:</u>			
Payments in accordance with trust agreement	3,600	2,600	1,000
Net change in fund equity	126	2,084	1,958
Fund equity at beginning of year	64,996	64,996	-
Fund equity at end of year	<u>\$ 65,122</u>	<u>\$ 67,080</u>	<u>\$ 1,958</u>

Highland Local School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2007

	Beginning Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2007</u>
<u>Student Managed Activity</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 76,630	\$ 218,706	\$ 213,760	\$ 81,576
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 1,300	\$ -	\$ 1,300
Due to students	76,630	217,406	213,760	80,276
Total liabilities	\$ 76,630	\$ 218,706	\$ 213,760	\$ 81,576



STATISTICAL SECTION

Statistical Section

This part of the School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial position has changed over time.	S2 - S8
Revenue Capacity These schedules contain information to help the reader understand and assess the factors affecting the School District's ability to generate its most significant local revenue source(s), the property tax.	S9 - S15
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	S16 - S20
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	S21 - S23
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	S24 - S30

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that fiscal year.

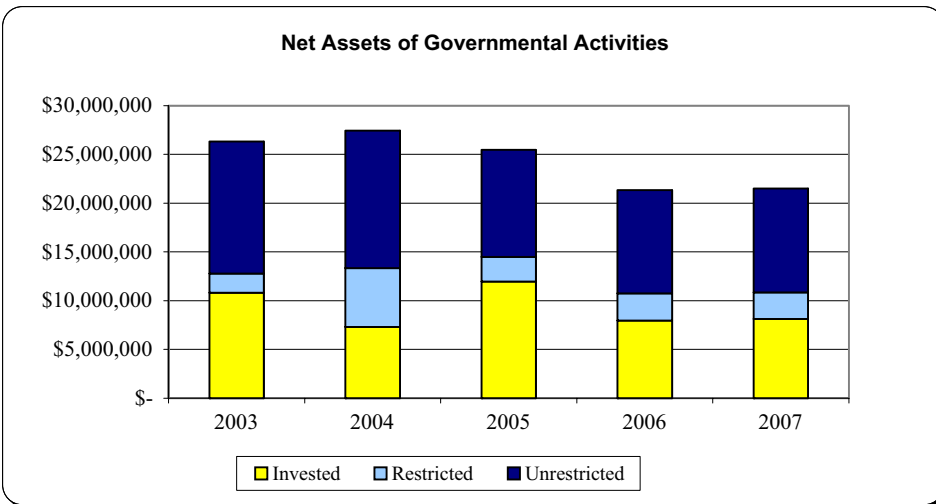
Highland Local School District

Net Assets by Component (1)

Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Invested in capital assets, net of related debt	\$ 10,813,432	\$ 7,301,012	\$ 11,952,666	\$ 7,964,723	\$ 8,125,241
Restricted for:					
Capital projects	902,184	4,825,593	936,856	106,684	54,671
Debt service	842,811	1,021,635	1,435,244	2,347,308	2,377,566
Permanent fund - scholarships					
Expendable	36,009	-	-	-	-
Nonexpendable	48,969	-	-	-	-
Other purposes	119,509	182,054	150,646	322,883	279,073
Unrestricted (deficit)	<u>13,555,796</u>	<u>14,098,516</u>	<u>10,981,777</u>	<u>10,570,714</u>	<u>10,644,919</u>
Total net assets	<u><u>\$ 26,318,710</u></u>	<u><u>\$ 27,428,810</u></u>	<u><u>\$ 25,457,189</u></u>	<u><u>\$ 21,312,312</u></u>	<u><u>\$ 21,481,470</u></u>

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



Highland Local School District
Changes in Net Assets of Governmental Activities (1)
Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Regular instruction	\$ 8,301,672	\$ 9,372,735	\$ 10,782,456	\$ 10,721,321	\$ 11,694,726
Special instruction	2,019,730	2,189,792	2,292,960	2,225,319	2,391,597
Vocational instruction	221,771	237,639	260,976	267,436	278,131
Adult/continuing	-	-	-	986	521
Other	69,763	31,364	65,695	403,904	332,028
Pupil support	935,963	996,550	1,056,613	1,192,215	1,262,276
Instructional staff support	1,339,268	1,402,428	1,605,142	1,549,011	1,657,555
Board of education	18,217	19,977	21,534	25,436	27,888
Administration	1,536,965	1,746,937	2,279,411	2,067,429	2,021,332
Fiscal	652,819	734,167	804,491	706,597	749,712
Business	53,637	50,876	41,990	36,062	78,529
Operation and maintenance of plant	1,825,099	2,316,223	3,493,085	3,768,269	3,203,861
Pupil transportation	1,466,258	1,367,189	1,483,026	1,542,484	1,527,721
Central	191,871	131,127	153,377	153,649	197,879
Community services	95,703	93,682	127,010	135,893	146,024
Operation of food services	693,490	741,795	861,737	894,970	986,923
Extracurricular activities	830,425	852,001	1,076,287	1,242,002	1,277,106
Interest and fiscal charges	1,966,421	1,957,796	1,932,645	2,972,182	1,636,900
<i>Total expenses</i>	<u>\$ 22,219,072</u>	<u>\$ 24,242,278</u>	<u>\$ 28,338,435</u>	<u>\$ 29,905,165</u>	<u>\$ 29,470,709</u>
Program Revenues					
Charges for services:					
Regular instruction	\$ 125,212	\$ 159,988	\$ 181,859	\$ 221,451	\$ 225,761
Special instruction	52,626	113,603	90,767	178,437	168,579
Pupil support	-	-	-	-	150
Community services	92,062	95,823	117,373	135,201	139,972
Operation of food service	600,071	653,412	715,616	795,779	866,953
Extracurricular activities	203,507	218,588	248,435	209,855	223,847
Operating grants and contributions:					
Regular instruction	81,697	78,459	77,133	76,138	70,745
Special instruction	88,947	126,430	146,590	100,587	116,895
Pupil support	70,312	67,017	102,850	122,762	149,830
Instructional staff support	123,637	171,985	215,483	234,980	263,892
Administration	116,835	120,059	131,533	158,417	116,151
Fiscal	-	16,096	-	-	-
Central	59,571	21,914	46,042	25,146	-
Pupil transportation	-	-	-	-	898
Central	-	-	-	-	25,554
Community services	-	12,000	-	-	-
Operation of food services	57,668	62,480	53,241	82,847	124,710
Extracurricular activities	4,985	1,313	8,062	8,155	3,923
Capital grants and contributions:					
Vocational instruction	-	-	-	-	11,375
Operation and maintenance of plant	-	-	-	-	23,000
Pupil transportation	89,869	18,493	19,715	11,102	19,706
<i>Total program revenues</i>	<u>\$ 1,766,999</u>	<u>\$ 1,937,660</u>	<u>\$ 2,154,699</u>	<u>\$ 2,360,857</u>	<u>\$ 2,551,941</u>
<i>Net expense</i>	<u>\$ (20,452,073)</u>	<u>\$ (22,304,618)</u>	<u>\$ (26,183,736)</u>	<u>\$ (27,544,308)</u>	<u>\$ (26,918,768)</u>

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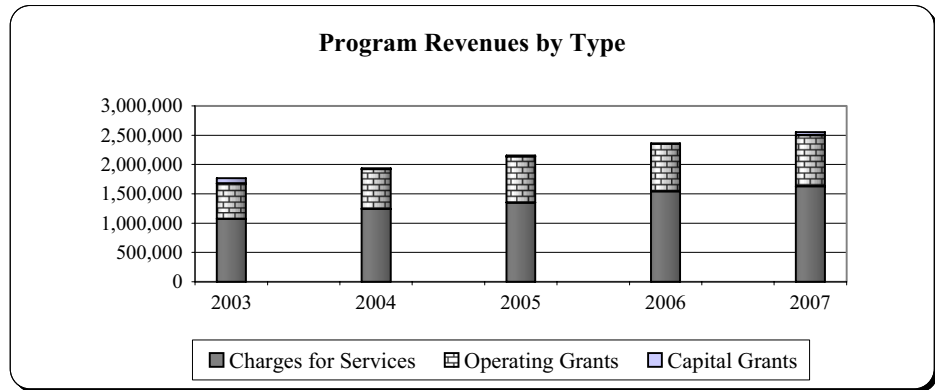
Highland Local School District

Changes in Net Assets of Governmental Activities (1)

Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General revenues					
Property taxes levied for:					
General purposes	\$ 12,988,609	\$ 13,436,487	\$ 14,206,577	\$ 15,546,822	\$ 15,555,154
Debt service	2,451,517	2,547,077	2,821,355	2,921,464	2,829,115
Grants and entitlements not restricted to specific programs	6,724,999	6,615,473	6,674,999	6,991,349	7,611,072
Investment earnings	796,721	392,812	396,578	703,123	892,439
Miscellaneous	342,303	166,532	112,606	332,223	200,146
Total general revenues	<u>\$ 23,304,149</u>	<u>\$ 23,158,381</u>	<u>\$ 24,212,115</u>	<u>\$ 26,494,981</u>	<u>\$ 27,087,926</u>
Change in net assets	<u>\$ 2,852,076</u>	<u>\$ 853,763</u>	<u>\$ (1,971,621)</u>	<u>\$ (1,049,327)</u>	<u>\$ 169,158</u>

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



Highland Local School District

Program Revenues of Governmental Activities by Function (1)

Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
<i>Function</i>					
Regular instruction	\$ 206,909	\$ 238,447	\$ 258,992	\$ 297,589	\$ 296,506
Special instruction	141,573	240,033	237,357	279,024	285,474
Vocational	-	-	-	-	11,375
Pupil support	70,312	67,017	102,850	122,762	149,980
Instructional staff support	123,637	171,985	215,483	234,980	263,892
Administration	116,835	120,059	131,533	158,417	116,151
Fiscal	-	16,096	-	-	-
Operation and maintenance of plant	-	-	-	-	23,000
Pupil transportation	89,869	18,493	19,715	11,102	20,604
Central	59,571	21,914	46,042	25,146	25,554
Community services	92,062	107,823	117,373	135,201	139,972
Operation of food service	657,739	715,892	768,857	878,626	991,663
Extracurricular activities	208,492	219,901	256,497	218,010	227,770
<i>Total program revenues</i>	<u>\$ 1,766,999</u>	<u>\$ 1,937,660</u>	<u>\$ 2,154,699</u>	<u>\$ 2,360,857</u>	<u>\$ 2,551,941</u>

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

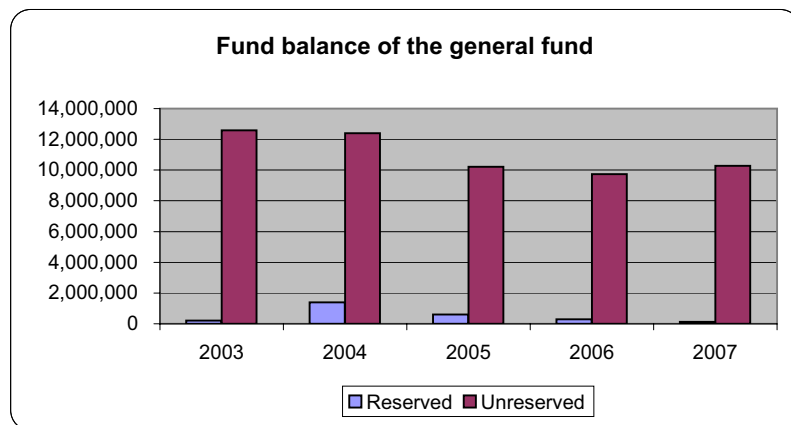
Highland Local School District

Fund Balances, Governmental Funds (1)

Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund					
Reserved	\$ 216,728	\$ 1,399,594	\$ 601,718	\$ 287,675	\$ 116,287
Unreserved	<u>12,576,405</u>	<u>12,398,551</u>	<u>10,214,184</u>	<u>9,744,608</u>	<u>10,272,640</u>
<i>Total general fund</i>	<u>12,793,133</u>	<u>13,798,145</u>	<u>10,815,902</u>	<u>10,032,283</u>	<u>10,388,927</u>
All other governmental funds					
Reserved	18,044,278	4,706,876	986,902	127,283	36,621
Unreserved, undesignated, Reported in:					
Special revenue funds	188,398	210,152	128,677	246,377	293,424
Debt service funds	914,696	1,083,866	1,494,645	2,370,836	2,410,054
Capital projects funds	4,700,851	159,114	(23,406)	19,408	34,983
Permanent funds	<u>36,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total all other governmental funds</i>	<u>23,884,232</u>	<u>6,160,008</u>	<u>2,586,818</u>	<u>2,763,904</u>	<u>2,775,082</u>
<i>Total governmental funds</i>	<u>\$ 36,677,365</u>	<u>\$ 19,958,153</u>	<u>\$ 13,402,720</u>	<u>\$ 12,796,187</u>	<u>\$ 13,164,009</u>

(1) Modified accrual basis of accounting. Will be reported for the last ten years when there are enough years of information available.



Highland Local School District
Changes in Fund Balances, Governmental Funds (1)
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 9,041,436	\$ 10,043,853	\$ 11,223,255	\$ 12,354,172	\$ 14,538,929	\$ 15,463,889	\$ 15,935,352	\$ 17,036,615	\$ 18,346,454	\$ 18,515,726
Intergovernmental	4,166,741	4,752,187	4,666,518	5,454,444	6,817,025	7,323,901	7,262,704	7,428,957	7,790,850	8,557,524
Interest	350,176	358,319	492,076	597,311	1,747,965	800,782	393,402	398,030	696,365	882,484
Tuition and fees	176,871	158,087	75,626	42,011	184,042	276,194	377,354	399,927	537,938	539,674
Extracurricular activities	111,345	122,745	128,882	133,692	215,505	197,212	210,318	237,995	206,545	218,351
Gifts and donations	-	18,307	-	26,312	25,217	34,694	9,975	66,080	36,089	26,461
Charges for services	-	-	-	-	-	600,072	653,513	715,617	795,779	867,103
Rentals	-	880	-	-	-	1,981	1,995	3,831	5,748	26,510
Miscellaneous	118,625	119,266	172,855	63,981	35,291	381,192	155,841	50,706	297,765	149,295
Total revenues	13,965,194	15,573,644	16,759,212	18,671,923	23,563,974	25,079,917	25,000,454	26,337,758	28,713,533	29,783,128
Expenditures										
Current:										
Instruction:										
Regular	6,077,644	6,526,825	6,631,821	6,900,655	7,446,830	7,833,998	8,577,629	10,080,539	10,329,294	11,047,306
Special	1,475,902	1,561,221	1,583,534	1,662,633	2,011,976	2,051,324	2,152,969	2,248,712	2,227,555	2,357,378
Vocational	158,581	171,863	182,228	187,423	200,031	211,230	228,428	250,990	261,950	263,085
Adult/Continuing	-	-	-	-	-	-	-	-	986	521
Other	23,278	41,533	27,121	36,769	37,726	69,763	31,364	65,695	394,844	330,157
Support services:										
Pupil	714,424	636,563	632,375	682,467	791,643	900,198	957,325	1,039,059	1,107,738	1,227,954
Instructional staff	678,152	675,836	838,410	904,511	1,066,087	1,256,031	1,329,558	1,517,063	1,315,844	1,397,604
Board of education	14,900	12,271	13,288	17,434	21,438	18,217	19,977	21,534	25,436	27,888
Administration	1,262,690	1,290,845	1,251,719	1,358,748	1,386,350	1,512,600	1,711,485	2,209,790	2,056,772	1,922,082
Fiscal	378,076	405,446	490,630	510,379	576,577	639,893	708,440	789,342	710,315	734,019
Business	51,382	60,813	43,599	59,474	43,337	52,562	49,801	41,217	36,062	78,529
Operation and maintenance										
of plant	1,462,949	1,275,532	2,019,991	1,388,114	1,444,642	1,736,157	2,144,278	3,100,399	3,440,335	2,806,910
Pupil transportation	906,518	805,837	1,002,971	1,012,720	1,151,899	1,308,460	1,165,311	1,321,704	1,395,312	1,369,076
Central	34,356	84,531	134,642	143,765	162,936	189,741	127,471	149,469	151,015	193,570
Operation of non-instructional										
services	1,270	-	122	-	-	91,238	97,207	124,162	138,676	145,140
Food service operations	-	-	-	-	-	639,626	701,968	787,355	827,147	899,504
Extracurricular activities	425,364	473,288	526,941	539,987	712,490	788,751	807,874	869,346	914,522	946,786
Capital outlay	430,507	158,147	149,955	371,270	2,967,386	17,504,007	18,299,864	5,324,396	1,591,189	532,441
Debt service:										
Principal retirement	707,372	138,820	137,887	152,721	39,922,064	63,719	759,504	828,787	930,327	1,566,967
Interest and fiscal charges	58,859	18,861	11,008	9,402	2,116,347	1,966,521	1,959,583	1,934,825	1,464,747	1,571,389
Issuance costs	-	-	-	-	-	-	-	-	335,824	-
Total expenditures	14,862,224	14,338,232	15,678,242	15,938,472	62,059,759	38,834,036	41,830,036	32,704,384	29,655,890	29,418,306

Highland Local School District
Changes in Fund Balances, Governmental Funds (1)
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<i>Excess of revenues over (under) expenditures</i>	(897,030)	1,235,412	1,080,970	2,733,451	(38,495,785)	(13,754,119)	(16,829,582)	(6,366,626)	(942,357)	364,822
										(Continued)
Other financing sources (uses)										
Sale of capital assets	130	4,370	195	7,142	700	-	39,573	30,700	-	3,000
Inception of capital lease	-	-	-	91,806	-	-	128,471	-	-	-
Proceeds of notes	-	-	-	39,900,000	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	29,480,000	-
Proceeds of bonds	-	-	-	-	40,617,557	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	1,933,776	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(31,077,952)	-
Transfers in	-	-	144,653	-	-	230,841	-	49,275	23,750	20,670
Transfers out	-	-	(144,653)	-	-	(230,841)	-	(49,275)	(23,750)	(20,670)
Total other financing sources (uses)	130	4,370	195	39,998,948	40,618,257	-	168,044	30,700	335,824	3,000
Net change in fund balances	\$ (896,900)	\$ 1,239,782	\$ 1,081,165	\$ 42,732,399	\$ 2,122,472	\$ (13,754,119)	\$ (16,661,538)	\$ (6,335,926)	\$ (606,533)	\$ 367,822

Debt service as a percentage of noncapital expenditures 5.3% 1.1% 1.0% 1.0% 71.1% 9.5% 11.6% 10.1% 9.7% 10.9%

(1) Modified accrual basis of accounting.

Note: For 1998 - 2002, Governmental Funds includes governmental fund types and expendable trust funds; for 2003 - 2007, Governmental Funds includes general, debt service, special revenue, capital projects and permanent funds.

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

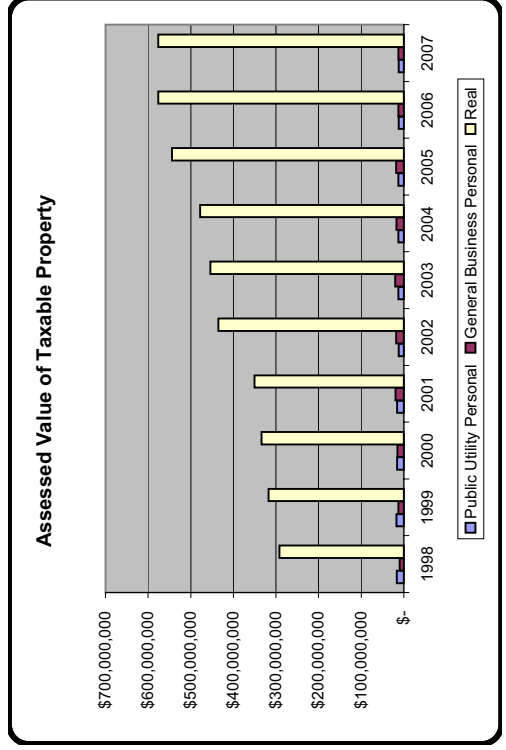
Collection Year	Real Property			Tangible Personal Property			Tangible Personal Property			Total		
	Assessed Value			Public Utility			General Business			Estimated Actual Value		
	Residential/Agricultural	Commercial/Industrial/PU	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Ratio	Weighted Average Tax Rate
1998	\$ 275,230,290	\$ 16,666,510	\$ 833,990,857	\$ 16,437,240	\$ 18,678,682	\$ 9,995,510	\$ 39,982,040	\$ 318,329,550	\$ 892,651,579	35.66%	58.68	
1999	297,900,410	19,174,480	905,928,257	17,324,080	19,686,455	12,939,310	51,757,240	347,338,280	977,371,952	35.54%	64.18	
2000	314,120,930	19,766,360	953,963,686	15,446,030	17,552,307	14,886,057	59,544,228	364,219,377	1,031,060,221	35.32%	65.38	
2001	328,484,360	21,808,690	1,000,837,286	15,936,500	18,109,659	19,629,432	78,517,728	385,858,982	1,097,464,673	35.16%	66.58	
2002	405,577,570	29,882,420	1,244,171,400	11,900,010	13,522,739	18,012,416	72,049,664	465,372,416	1,329,743,803	35.00%	71.32	
2003	423,787,780	30,447,300	1,297,814,514	12,435,380	14,131,114	20,009,825	80,039,300	486,680,285	1,391,984,928	34.96%	70.61	
2004	445,909,650	31,788,530	1,364,851,943	12,701,290	14,433,284	17,197,552	68,790,208	507,597,022	1,448,075,435	35.05%	71.46	
2005	505,890,970	38,374,600	1,555,044,486	13,079,750	14,863,352	17,980,743	71,922,972	575,326,063	1,641,830,810	35.04%	71.32	
2006	528,513,190	47,560,400	1,645,924,543	11,688,790	13,282,716	12,482,341	49,929,364	600,244,721	1,709,136,623	35.12%	70.55	
2007	549,534,630	47,995,290	1,707,228,343	11,998,520	13,634,682	8,320,613	33,282,452	617,849,053	1,754,145,477	35.22%	70.55	

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property is 35% of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25% of true value for railroad property to 88% for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25% for machinery and equipment and 23% for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75% for 2006, 12.5% for 2007, 6.25% for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, the 2 1/2% and the homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

Source: Medina County Auditor and Summit County Fiscal Officer.



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

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
2007	Brunswick Hills	70.55	8.07	11.85	3.05	-	0.75	2.25	96.52
	Granger Twp.	70.55	8.07	5.60	3.05	-	0.75	2.25	90.27
	Hinckley Twp.	70.55	8.07	13.05	3.05	-	1.85	2.25	98.82
	Medina Twp.	70.55	8.07	5.60	3.05	-	0.75	2.25	90.27
	Montville Twp.	70.55	8.07	10.95	3.05	-	0.75	2.25	95.62
	Sharon Twp.	70.55	8.07	7.40	3.05	-	0.75	2.25	92.07
	Wadsworth City	70.55	8.07	-	3.05	5.80	0.75	2.25	90.47
2006	Brunswick Hills	70.55	8.21	11.85	3.05	-	0.50	2.25	96.41
	Granger Twp.	70.55	8.21	4.60	3.05	-	0.50	2.25	89.16
	Hinckley Twp.	70.55	8.21	13.05	3.05	-	1.85	2.25	98.96
	Medina Twp.	70.55	8.21	5.60	3.05	-	0.50	2.25	90.16
	Montville Twp.	70.55	8.21	10.95	3.05	-	0.50	2.25	95.51
	Sharon Twp.	70.55	8.21	7.40	3.05	-	0.50	2.25	91.96
	Wadsworth City	70.55	8.21	-	3.05	5.80	0.50	2.25	90.36
2005	Brunswick Hills	71.32	8.22	11.85	3.05	-	1.50	1.25	97.19
	Granger Twp.	71.32	8.22	4.10	3.05	-	1.50	1.25	89.44
	Hinckley Twp.	71.32	8.22	13.05	3.05	-	2.85	1.25	99.74
	Medina Twp.	71.32	8.22	5.60	3.05	-	1.50	1.25	90.94
	Montville Twp.	71.32	8.22	9.95	3.05	-	1.50	1.25	95.29
	Sharon Twp.	71.32	8.22	7.40	3.05	-	1.50	1.25	92.74
	Wadsworth City	71.32	8.22	-	3.05	5.80	1.50	1.25	91.14
2004	Brunswick Hills	71.32	8.23	12.35	3.05	-	1.50	1.25	97.70
	Granger Twp.	71.32	8.23	4.10	3.05	-	1.50	1.25	89.45
	Hinckley Twp.	71.32	8.23	13.05	3.05	-	2.55	1.25	99.45
	Medina Twp.	71.32	8.23	5.60	3.05	-	1.50	1.25	90.95
	Montville Twp.	71.32	8.23	9.95	3.05	-	1.50	1.25	95.30
	Sharon Twp.	71.32	8.23	7.40	3.05	-	1.50	1.25	92.75
	Wadsworth City	72.25	8.23	-	-	5.80	1.00	1.25	88.53
2003	Brunswick Hills	71.32	8.24	12.35	3.05	-	1.75	1.25	97.96
	Granger Twp.	71.32	8.24	4.10	3.05	-	1.75	1.25	89.71
	Hinckley Twp.	71.32	8.24	13.05	3.05	-	2.80	1.25	99.71
	Medina Twp.	71.32	8.24	5.60	3.05	-	1.75	1.25	91.21
	Montville Twp.	71.32	8.24	9.95	3.05	-	1.75	1.25	95.56
	Sharon Twp.	71.32	8.24	7.40	3.05	-	1.75	1.25	93.01
	Wadsworth City	66.35	8.24	-	3.05	5.80	2.25	1.25	86.94
2002	Brunswick Hills	71.32	8.06	12.60	3.05	-	1.75	1.25	98.03
	Granger Twp.	71.32	8.06	4.10	3.05	-	1.75	1.25	89.53
	Hinckley Twp.	71.32	8.06	13.05	3.05	-	2.80	1.25	99.53
	Medina Twp.	71.32	8.06	5.60	3.05	-	1.75	1.25	91.03
	Montville Twp.	71.32	8.06	9.95	3.05	-	1.75	1.25	95.38
	Sharon Twp.	71.32	8.06	7.40	3.05	-	1.75	1.25	92.83
	Wadsworth City	71.32	8.06	-	3.05	5.80	1.75	1.25	91.23

(Continued)

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

Collection Year		School Levy	County Levy	Township	Vocational Education	Wadsworth City	Other	Medina County Library	Total
2001	Brunswick Hills	66.58	8.19	12.60	3.05	-	0.50	1.25	92.17
	Granger Twp.	66.58	8.19	4.10	3.05	-	0.50	1.25	83.67
	Hinckley Twp.	66.58	8.19	11.05	3.05	-	1.55	1.25	91.67
	Medina Twp.	66.58	8.19	5.60	3.05	-	0.50	1.25	85.17
	Montville Twp.	66.58	8.19	9.95	3.05	-	0.50	1.25	89.52
	Sharon Twp.	66.58	8.19	7.40	3.05	-	0.50	1.25	86.97
	Wadsworth City	66.58	8.19	-	3.05	5.80	0.50	1.25	85.37
2000	Brunswick Hills	65.38	8.20	12.60	3.05	-	1.75	1.25	92.23
	Granger Twp.	65.38	8.20	2.60	3.05	-	1.75	1.25	82.23
	Hinckley Twp.	65.38	8.20	11.05	3.05	-	2.80	1.25	91.73
	Medina Twp.	65.38	8.20	5.60	3.05	-	1.75	1.25	85.23
	Montville Twp.	65.38	8.20	10.95	3.05	-	1.75	1.25	90.58
	Sharon Twp.	65.38	8.20	8.40	3.05	-	1.75	1.25	88.03
	Wadsworth City	65.38	8.20	-	3.05	5.80	1.75	1.25	85.43
1999	Brunswick Hills	64.18	7.92	7.60	3.05	-	1.75	1.25	85.75
	Granger Twp.	64.18	7.92	2.60	3.05	-	1.75	1.25	80.75
	Hinckley Twp.	64.18	7.92	11.05	3.05	-	2.80	1.25	90.25
	Medina Twp.	64.18	7.92	5.60	3.05	-	1.75	1.25	83.75
	Montville Twp.	64.18	7.92	10.95	3.05	-	1.75	1.25	89.10
	Sharon Twp.	64.18	7.92	8.40	3.05	-	1.75	1.25	86.55
	Wadsworth City	64.18	7.92	-	3.05	5.80	1.75	1.25	83.95
1998	Brunswick Hills	58.68	7.95	7.60	3.05	-	1.75	1.25	80.28
	Granger Twp.	58.68	7.95	2.60	3.05	-	1.75	1.25	75.28
	Hinckley Twp.	58.68	7.95	11.05	3.05	-	2.80	1.25	84.78
	Medina Twp.	58.68	7.95	5.60	3.05	-	1.75	1.25	78.28
	Montville Twp.	58.68	7.95	10.95	3.05	-	1.75	1.25	83.63
	Sharon Twp.	58.68	7.95	8.40	3.05	-	1.75	1.25	81.08
	Wadsworth City	58.68	7.95	-	3.05	5.80	1.75	1.25	78.48

Source: Medina County Auditor and Summit County Fiscal Officer.

Note: The rates are per \$1,000 of assessed valuation. Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County.

Highland Local School District
Property Tax Levies and Collections (1)
Last Ten Collection Years

Collection Year (2)	Current Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Current Tax Levy	Delinquent Tax Collections (3)	Total Tax Collections	Percent of Total Tax Collections to Current Tax Levy
1997	\$ 9,862,623	\$ 9,406,783	95.38%	\$ 284,692	\$ 9,691,475	98.26%
1998	10,220,956	9,772,905	95.62	240,411	10,013,316	97.97
1999	12,515,672	11,954,285	95.51	325,333	12,279,618	98.11
2000	13,495,738	12,907,061	95.64	334,287	13,241,348	98.12
2001	14,733,328	14,053,399	95.39	289,297	14,342,696	97.35
2002	15,269,275	14,524,680	95.12	473,574	14,998,254	98.23
2003	18,447,500	17,412,606	94.39	739,750	18,152,356	98.40
2004	19,386,200	18,483,598	95.34	650,423	19,134,021	98.70
2005	18,470,364	16,863,692	91.30	643,627	17,507,319	94.79
2006	18,751,591	16,788,682	89.53	699,932	17,488,614	93.26

Source: Medina County Auditor and Summit County Fiscal Officer.

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental revenue.
- (2) The 2007 information cannot be presented because all collections have not been made by June 30, 2007.
- (3) The County does not identify delinquent tax collections by tax year.

Highland Local School District

Principal Taxpayers

Real Estate Tax

2007 and 2003 (1)

Name of Taxpayer	2007		
	Assessed Value	Rank	Percent of Real Property Assessed Value
Montville Lakes Development	\$ 2,478,850	1	0.45%
BNB Partners	1,897,690	2	0.35%
Akron-Medina Corporate Park	1,327,270	3	0.24%
Pinnacle Sports	1,322,510	4	0.24%
Pride One Rt 18	1,242,510	5	0.23%
Structured Management	1,160,370	6	0.21%
Vincent Enterprises	1,137,610	7	0.21%
Northside Christian Church	1,135,720	8	0.21%
Nicholas J & Demetra K Spiritos	1,038,750	9	0.19%
Sharon Club Company	973,340	10	0.18%
Totals	<u>\$ 13,714,620</u>		<u>2.51%</u>
Total assessed valuation	<u>\$ 549,534,630</u>		

Name of Taxpayer	2003 (2)		
	Assessed Value	Rank	Percent of Real Property Assessed Value
Kimball Hill Homes	\$ 1,605,960	1	0.38%
Structured Management	1,151,510	2	0.27%
Wakefield Run Development	1,129,060	3	0.27%
Nicholas J. Demetra K. Spiritos	1,002,790	4	0.24%
Sharon Club Company	899,980	5	0.21%
Batizy, Levente & Patricia	868,320	6	0.20%
Grandview Group	762,140	7	0.18%
Ironwood Golf Course	759,640	8	0.18%
SFS Stadler Inc.	744,800	9	0.18%
Portside Corporate	720,990	10	0.17%
Totals	<u>\$ 9,645,190</u>		<u>2.28%</u>
Total assessed valuation	<u>\$ 423,787,780</u>		

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) The amounts presented represent the assessed values upon which 2007 and 2003 collections were based.

(2) Information prior to 2003 is not available.

Highland Local School District

Principal Taxpayers

Tangible Personal Property Tax

2007 and 2003 (1)

Name of Taxpayer	Assessed Value	2007	
		Rank	Percent of Tangible Personal Property Assessed Value
Avalon RV Center Inc.	\$ 1,537,920	1	18.48%
A Schulman, Inc.	1,158,510	2	13.92%
SFS Intec, Inc.	905,540	3	10.88%
PT Tech Inc.	824,210	4	9.91%
Partners in Plastic	792,530	5	9.52%
Ruhlin Company	478,310	6	5.75%
Atlantic Tool & Die Co.	476,660	7	5.73%
RFD Beaufort, Inc.	453,800	8	5.45%
Rental Service Corp USA Inc.	411,610	9	4.95%
Cell-O-Core	410,669	10	4.94%
Totals	<u>\$ 7,449,759</u>		<u>89.53%</u>
Total assessed valuation	<u>\$ 8,320,613</u>		

Name of Taxpayer	Assessed Value	2003 (2)	
		Rank	Percent of Tangible Personal Property Assessed Value
A Schulman Inc.	\$ 1,686,170	1	8.43%
SFS Stadler Inc.	1,228,690	2	6.14%
Atlantic Tool & Die Co.	1,210,150	3	6.05%
Avalon RV Center Inc.	1,165,310	4	5.82%
Partners in Plastic	1,092,900	5	5.46%
Power Transmission Technology Inc.	871,320	6	4.35%
Inflatable Survival Systems Inc.	676,650	7	3.38%
Ruhlin Company	662,930	8	3.31%
Kenmore Ashalt Products, Inc.	491,370	9	2.46%
Rental Service Corp USA Inc.	390,870	10	1.95%
Totals	<u>\$ 9,476,360</u>		<u>47.35%</u>
Total assessed valuation	<u>\$ 20,009,825</u>		

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) The amounts presented represent the assessed values upon which 2007 and 2003 collections were based.

(2) Information prior to 2003 is not available.

Highland Local School District

Principal Taxpayers

Public Utilities Tax

2007 and 2003 (1)

Name of Taxpayer	2007		
	Assessed Value	Rank	Percent of Public Utility Assessed Value
Ohio Edison Company	\$ 6,183,870	1	51.54%
Verizon North	1,531,210	2	12.76%
Columbia Gas of Ohio	872,690	3	7.27%
American Transmission	818,710	4	6.82%
Cingular Wireless	463,810	5	3.87%
New Par	459,980	6	3.83%
East Ohio Gas	405,730	7	3.38%
Western Reserve	364,440	8	3.04%
Sprint Com	250,290	9	2.09%
Alltell	223,960	10	1.87%
Totals	<u>\$ 11,574,690</u>		<u>96.47%</u>
Total assessed valuation	<u>\$ 11,998,520</u>		

Name of Taxpayer	2003 (2)		
	Assessed Value	Rank	Percent of Public Utility Assessed Value
Ohio Edison Company	\$ 5,380,300	1	43.27%
Verizon North	2,270,400	2	18.26%
American Transmission	1,012,500	3	8.14%
Columbia Gas of Ohio	677,930	4	5.45%
Western Reserve Telephone	524,760	5	4.22%
AT & T Communications	519,210	6	4.18%
East Ohio Gas	412,280	7	3.32%
New Par	404,180	8	3.25%
Sprint	260,580	9	2.10%
Alltell Ohio Limited	176,860	10	1.42%
Totals	<u>\$ 11,639,000</u>		<u>93.61%</u>
Total assessed valuation	<u>\$ 12,435,380</u>		

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) The amounts presented represent the assessed values upon which 2007 and 2003 collections were based.

(2) Information prior to 2003 is not available.

Highland Local School District

Ratio of Outstanding Debt By Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Population	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases				
1998	\$ 390,000	\$ -	\$ 16,707	\$ 406,707	0.14%	16,875	\$ 24.10
1999	260,000	-	7,887	267,887	0.08%	16,875	15.87
2000	130,000	-	-	130,000	0.04%	22,708	7.70
2001	-	39,900,000	69,085	39,969,085	11.19%	22,708	1,760.13
2002	39,900,000	-	47,021	39,947,021	11.38%	22,708	1,759.16
2003	39,860,000	-	23,302	39,883,302	11.05%	22,708	1,756.35
2004	39,145,000	-	107,269	39,252,269	7.93%	22,708	1,728.57
2005	38,340,000	-	83,482	38,423,482	6.37%	22,708	1,692.07
2006	37,435,000	-	58,155	37,493,155	5.81%	22,708	1,651.10
2007	35,895,000	-	31,188	35,926,188	n/a	22,708	1,582.09

Source: School District Financial Records.

Highland Local School District
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Resources Available to Pay Principal</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Estimated Actual Value (1)</u>
1998	\$ 390,000	\$ 390,000	\$ -	0.00%
1999	260,000	260,000	-	0.00%
2000	130,000	130,000	-	0.00%
2001	-	-	-	0.00%
2002	39,900,000	-	39,900,000	3.00%
2003	39,860,000	914,696	38,945,304	2.80%
2004	39,145,000	1,083,866	38,061,134	2.63%
2005	38,340,000	1,494,645	36,845,355	2.24%
2006	37,435,000	2,370,836	35,064,164	2.05%
2007	35,895,000	2,410,054	33,484,946	1.91%

Source: School District Financial Records.

(1) See the Schedule of Assessed and Estimated Actual Value of Taxable Property on page S-9 for property value data.

Highland Local School District

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Tax Valuation	<u>\$ 318,329,550</u>	<u>\$ 347,338,280</u>	<u>\$ 364,219,377</u>	<u>\$ 385,858,982</u>	<u>\$ 465,372,416</u>
Debt Limit - 9% of Taxable Valuation (1)	<u>28,649,660</u>	<u>31,260,445</u>	<u>32,779,744</u>	<u>34,727,308</u>	<u>41,883,517</u>
Amount of Debt Applicable to Debt Limit					
General Obligation Bonds	390,000	260,000	130,000	-	39,900,000
Less Amount Available in Debt Service	<u>(566,828)</u>	<u>(418,953)</u>	<u>(133,575)</u>	<u>-</u>	<u>(139,280)</u>
Amount of Debt Subject to Limit	<u>(176,828)</u>	<u>(158,953)</u>	<u>(3,575)</u>	<u>-</u>	<u>39,760,720</u>
Legal Debt Margin	<u>\$ 28,826,488</u>	<u>\$ 31,419,398</u>	<u>\$ 32,783,319</u>	<u>\$ 34,727,308</u>	<u>\$ 2,122,797</u>
Legal Debt Margin as a Percentage of the Debt Limit	100.62%	100.51%	100.01%	100.00%	5.07%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	\$ 318,330	\$ 347,338	\$ 364,219	\$ 385,859	\$ 465,372
Amount of Debt Subject to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unvoted Legal Debt Margin	<u>\$ 318,330</u>	<u>\$ 347,338</u>	<u>\$ 364,219</u>	<u>\$ 385,859</u>	<u>\$ 465,372</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%

(Continued)

Source: School District Financial Records.

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Highland Local School District

Computation of Legal Debt Margin

Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax Valuation	<u>\$ 486,680,285</u>	<u>\$ 507,597,022</u>	<u>\$ 575,326,063</u>	<u>\$ 600,244,721</u>	<u>\$ 617,849,053</u>
Debt Limit - 9% of Taxable Valuation (1)	<u>43,801,226</u>	<u>45,683,732</u>	<u>51,779,346</u>	<u>54,022,025</u>	<u>55,606,415</u>
Amount of Debt Applicable to Debt Limit					
General Obligation Bonds	39,860,000	39,145,000	38,340,000	37,435,000	35,895,000
Less Amount Available in Debt Service	<u>(914,696)</u>	<u>(1,083,866)</u>	<u>(1,494,645)</u>	<u>(2,370,836)</u>	<u>(2,410,054)</u>
Amount of Debt Subject to Limit	<u>38,945,304</u>	<u>38,061,134</u>	<u>36,845,355</u>	<u>35,064,164</u>	<u>33,484,946</u>
Legal Debt Margin	<u>\$ 4,855,922</u>	<u>\$ 7,622,598</u>	<u>\$ 14,933,991</u>	<u>\$ 18,957,861</u>	<u>\$ 22,121,469</u>
Legal Debt Margin as a Percentage of the Debt Limit	11.09%	16.69%	28.84%	35.09%	39.78%
Unvoted Debt Limit - .10% of Taxable Valuation (1)	\$ 486,680	\$ 507,597	\$ 575,326	\$ 600,245	\$ 617,849
Amount of Debt Subject to Limit	-	-	-	-	-
Unvoted Legal Debt Margin	<u>\$ 486,680</u>	<u>\$ 507,597</u>	<u>\$ 575,326</u>	<u>\$ 600,245</u>	<u>\$ 617,849</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%

Source: School District Financial Records.

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Highland Local School District
Computation of Direct and Overlapping Bonded Debt
June 30, 2007

Jurisdiction	Net General Tax Supported Debt (1)	Percent Overlapping (2)	Amount Applicable Highland Local School District
Direct:			
Highland Local School District	\$ 35,895,000	100.00%	\$ 35,895,000
Overlapping:			
Medina County	5,573,880	13.88%	773,655
Summit County	63,040,000	0.05%	31,520
Wadsworth City	1,060,000	0.68%	7,208
Brunswick Hills Township	-	2.08%	-
Copley Township	-	1.33%	-
Granger Township	-	96.91%	-
Hinckley Township	-	74.82%	-
Medina Township	-	0.53%	-
Montville Township	-	14.85%	-
Sharon Township	-	97.26%	-
Medina County Career Center	-	15.97%	-
Akron Bath Copley Hospital District	-	0.14%	-
Akron Metro Regional Transit Authority	1,005,000	0.05%	503
Akron-Summit County Library District	56,845,000	0.07%	39,792
Cleveland Metroparks	-	0.55%	-
Medina County Library District	37,365,000	16.27%	6,079,286
Medina County Park District	323,016	9.91%	32,011
Muskingum Watershed Conservancy District	-	0.01%	-
Muskingum Watershed-Chippewa	-	11.78%	-
Summit Metro Park District	-	0.05%	-
	<u>165,211,896</u>		<u>6,963,975</u>
Total direct and overlapping debt:	<u>\$ 201,106,896</u>		<u>\$ 42,858,975</u>

Source: Medina County Auditor and Summit County Fiscal Officer.

(1) All debt reported as of December 31, 2006, except for Highland Local School District which is reported as of June 30, 2007.

(2) Percentages were determined by dividing the assessed valuation of the political subdivisions located within the boundaries of the School District by the total assessed valuation of the political subdivisions.

Highland Local School District

Demographic and Economic Statistics

Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u> <u>(in thousands)</u>	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Unemployment</u> <u>Rate (3)</u>
1998	16,875	\$ 331,364,195	\$ 19,636	4.6%
1999	16,875	342,171,203	20,277	3.8%
2000	22,708	357,236,674	15,732	3.4%
2001	22,708	351,150,627	15,464	4.4%
2002	22,708	361,095,883	15,902	5.0%
2003	22,708	495,261,296	21,810	5.4%
2004	22,708	603,420,464	26,573	5.2%
2005	22,708	645,001,301	28,404	4.6%
2006	22,708	n/a	n/a	4.8%
2007	22,708	n/a	n/a	5.8%

Sources: (1) U.S. Bureau of Census, Census of Population.

(2) Ohio Department of Taxation.

(3) U.S. Department of Labor.

Highland Local School District

Principal Employers

2006 and 1997

Employer	2006		
	Number of Employees	Rank	Percentage of Total District Employment
Westfield Companies	1,755	1	3.23%
Medina County	1,668	2	3.07%
Medina City School District	800	3	1.47%
Brunswick City School District	789	4	1.45%
Shilo Industries In.	744	5	1.37%
Medina General Hospital	740	6	1.36%
Wadsworth City School District	490	7	0.90%
Discount Drug Mart	434	8	0.80%
WRH Health System	372	9	0.68%
Cloverleaf Local School District	369	10	0.68%
Total	8,161		15.01%
Total employment within the County	54,334		

Employer	1997		
	Number of Employees	Rank	Percentage of Total District Employment
Westfield Companies	1,418	1	3.04%
Medina County	1,300	2	2.79%
Schneider National Trucking	1,204	3	2.58%
MTD Products	1,176	4	2.52%
Brunswick City School District	850	5	1.82%
Medina General Hospital	760	6	1.63%
K Mart	685	7	1.47%
Medina City School District	638	8	1.37%
Discount Drug Mart	630	9	1.35%
Wadsworth City School District	445	10	0.95%
Total	9,106		19.52%
Total employment within the County	46,640		

Source: Medina County Economic Development Corporation.

Highland Local School District
School District Employees by Function/Program
Last Four Fiscal Years

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Regular instruction				
Elementary classroom teachers	60	67	68	68
Middle school classroom teachers	31	36	37	37
High school classroom teachers	36	43	44	44
Special instruction				
Academically gifted teachers	2	2	2	2
Muti handicapped teachers	15	17	16	16
Developmentally handicapped teachers	6	6	7	7
Specific learning disabled teachers	18	20	20	20
Other	2	2	3	3
Vocational instruction				
High school classroom teachers	3	3	3	3
Pupil support services				
Guidance counselors	5	5	6	5
Librarians	8	8	8	3
Psychologists	4	5	5	3
Speech and language pathologists	3	3	3	3
Aides	11	12	14	40
Computer	3	3	3	2
Other	7	7	9	6
Administrators				
Elementary	4	4	4	3
Middle School	3	3	3	2
High school	3	3	3	3
Operation of plant				
Custodians & Maintenance	27	28	31	25
Pupil transportation				
Bus drivers	28	29	30	32
Maintenance	3	3	3	3
Food service program				
Director	2	2	2	1
Cooks	17	18	19	15

Source: School District records.

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee. The count is performed on September 1 of each year.

Information prior to 2004 is not available.

Highland Local School District

Operating Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Enrollment</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio</u>	<u>Percentage of students receiving free or reduced lunches</u>
1998	n/a	2,352	n/a	n/a	n/a	n/a	1.10%
1999	n/a	2,385	n/a	n/a	n/a	n/a	1.00%
2000	n/a	2,292	n/a	n/a	n/a	n/a	5.40%
2001	n/a	2,421	n/a	n/a	n/a	n/a	5.50%
2002	n/a	2,494	n/a	n/a	132.0	18.9	4.30%
2003	\$ 22,219,072	2,585	\$8,595	0.04%	134.0	19.3	5.10%
2004	\$ 24,242,278	2,735	\$8,864	0.04%	173.0	15.8	4.70%
2005	\$ 28,338,435	2,914	\$9,725	0.03%	196.0	14.9	4.00%
2006	\$ 29,905,165	3,055	\$9,789	0.03%	200.0	15.3	5.60%
2007	\$ 29,470,709	3,211	\$9,178	0.03%	209.0	15.4	6.63%

Source: School District Records, Ohio Department of Education.

Highland Local School District

Building Statistics

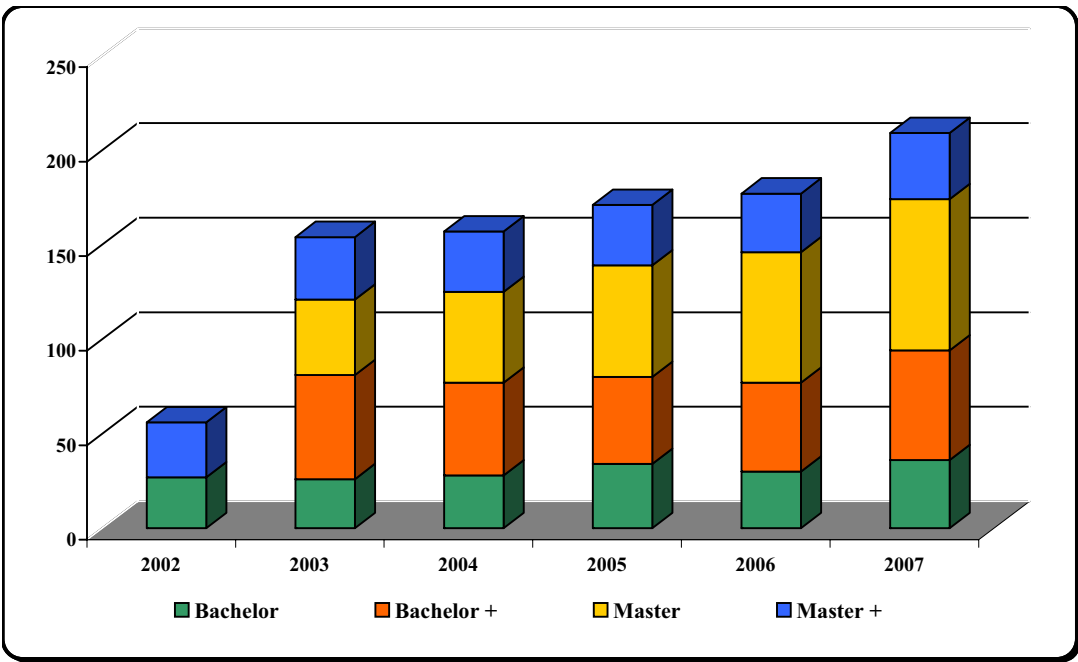
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Highland High School										
Constructed in 2004										
Total building square footage	103,092	104,532	104,532	105,972	105,972	105,972	105,972	234,000	234,000	234,000
Enrollment grades 9-12										
Student capacity	750	750	750	750	750	750	750	1,000	1,000	1,000
Regular instruction classrooms	30	30	30	30	30	30	30	45	45	45
Regular instruction teachers	33	35	34	37	37	41	38	39	41	41
Special instruction classrooms	5	5	5	5	5	5	5	4	4	4
Special instruction teachers	6	5	8	8	8	8	8	8	8	8
Highland Middle School										
Constructed in 1958										
Total building square footage	60,081	60,081	60,081	60,081	60,081	60,081	60,081	115,972	115,972	115,972
Enrollment grades 6-8										
Student capacity	525	525	525	525	525	525	525	750	750	750
Regular instruction classrooms	25	25	25	25	25	25	25	30	30	30
Regular instruction teachers	27	28	27	29	28	32	28	29	32	32
Special instruction classrooms	5	5	5	5	5	5	5	5	5	5
Special instruction teachers	7	6	8	7	8	12	12	10	10	10
Granger Elementary School										
Constructed in 1929										
Total building square footage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	60,081	60,081	60,081
Enrollment grades K-5										
Student capacity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	525	525	525
Regular instruction classrooms	n/a	n/a	n/a	n/a	n/a	n/a	n/a	25	25	25
Regular instruction teachers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	23	24	24
Special instruction classrooms	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5	5	5
Special instruction teachers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5	7	7
Hinckley Elementary School										
Constructed in 1949										
Total building square footage	41,365	41,365	41,365	41,365	41,365	41,365	52,265	52,265	52,265	52,265
Enrollment grades K-5										
Student capacity	400	400	400	400	400	400	400	400	400	400
Regular instruction classrooms	20	20	20	20	20	20	20	20	20	20
Regular instruction teachers	22	18	22	23	22	23	23	19	21	21
Special instruction classrooms	3	3	3	3	3	3	3	3	3	3
Special instruction teachers	7	6	6	7	6	8	8	6	4	4
Sharon Elementary School										
Constructed in 1922										
Total building square footage	50,640	52,080	52,080	54,960	54,960	54,960	54,960	54,960	54,960	54,960
Enrollment grades K-5										
Student capacity	450	450	450	450	450	450	450	450	450	450
Regular instruction classrooms	24	24	24	24	24	24	24	24	24	24
Regular instruction teachers	20	22	27	29	28	31	20	24	24	24
Special instruction classrooms	3	3	3	3	3	3	3	3	3	3
Special instruction teachers	10	10	12	11	10	12	13	8	5	5

Source: School District Records.

Highland Local School District
Full-Time Equivalent Teachers' by Education
Last Six Fiscal Years

<u>Degree</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Bachelor's Degree	27	26	28	34	30	36
Bachelor + 15	22	25	17	17	18	26
Bachelor + 30	36	30	32	29	29	32
Master's Degree	35	40	48	59	69	80
Master's + 15	11	14	13	12	12	15
Master's + 30	18	19	19	20	19	20
Total	149	154	157	171	177	209



Source: School District Records. Information prior to 2002 is not available.

Highland Local School District

Teachers' Salaries

Last Seven Fiscal Years (1)

<u>Fiscal Year</u>	<u>Highland Local School District Average Salary</u>	<u>Statewide Average Salary</u>
2001	\$ 42,350	\$ 42,995
2002	43,807	43,755
2003	46,759	45,645
2004	48,040	47,659
2005	46,327	49,438
2006	50,400	50,772
2007	54,684	53,536

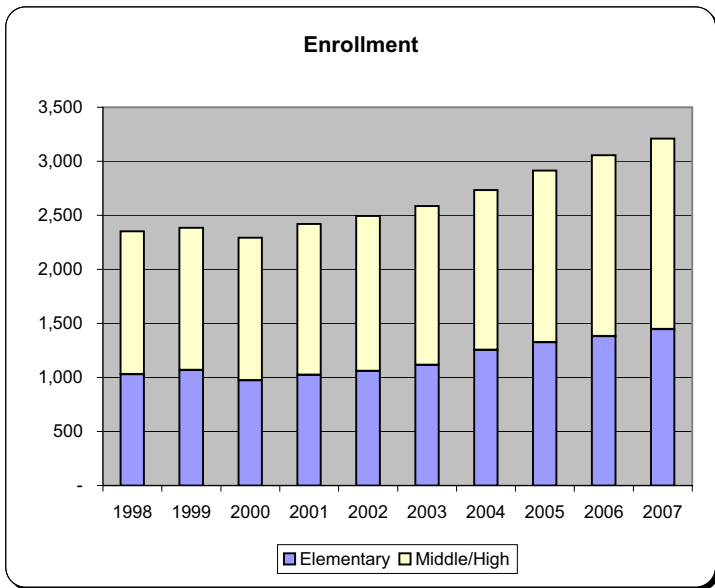
Source: Ohio Department of Education.

(1) Information prior to 2001 is not available.
Last ten years of information will be
reported when available.

Highland Local School District

**Enrollment Statistics
Last Ten Fiscal Years**

Fiscal Year	Highland Elementary Schools	Highland Middle/High School	Total
1998	1,031	1,321	2,352
1999	1,068	1,317	2,385
2000	974	1,318	2,292
2001	1,025	1,396	2,421
2002	1,060	1,434	2,494
2003	1,115	1,470	2,585
2004	1,253	1,482	2,735
2005	1,324	1,590	2,914
2006	1,382	1,673	3,055
2007	1,448	1,763	3,211



Source: Ohio Department of Education.

Highland Local School District
Average Number of Students per Teacher
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Highland Local School District Average</u>	<u>State Average</u>
1998	22.60	20.40
1999	20.60	18.60
2000	20.50	18.10
2001	20.20	18.00
2002	20.50	16.90
2003	20.20	16.50
2004	16.10	18.50
2005	14.87	18.50
2006	15.28	18.60
2007	15.36	19.60

Source: Ohio Department of Education.

Highland Local School District

Attendance and Graduation Rates

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Highland Local School District Attendance Rate</u>	<u>State Average</u>	<u>Highland Local School District Graduation Rate</u>	<u>State Average</u>
1998	96.31%	93.60%	90.40%	79.90%
1999	96.30%	93.50%	90.50%	81.40%
2000	95.50%	93.60%	95.30%	80.70%
2001	95.50%	93.90%	94.10%	81.20%
2002	95.90%	94.30%	96.50%	82.80%
2003	96.00%	94.50%	96.00%	83.90%
2004	96.20%	94.50%	96.10%	84.30%
2005	96.00%	94.30%	96.50%	85.90%
2006	96.00%	94.10%	96.30%	86.20%
2007	96.30%	94.10%	98.30%	86.10%

Source: School District Records.



Mary Taylor, CPA
Auditor of State

HIGHLAND LOCAL SCHOOL DISTRICT

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2008**