



**Auditor of State
Betty Montgomery**

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Windham Exempted Village School District
Portage County
9530 Bauer Avenue
Windham, Ohio 44288

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 Windham Exempted Village School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2005, 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 Windham Exempted Village School District, Portage County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2005 the District implemented the Technical Bulletin No. 2004-2. As a result certain beginning fund balances were required to be restated.

The District is experiencing certain financial difficulties. These conditions, and management's plans to address these conditions, are described in Note 18.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2006, 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 Discussion and Analysis (MD&A) 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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.



Betty Montgomery
Auditor of State

March 10, 2006

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of the Windham Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$502,562 which represents a 2.06% decrease from 2004.
- General revenues accounted for \$7,509,503 in revenue or 79.42% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,946,499 or 20.58% of total revenues of \$9,456,002.
- The District had \$9,958,564 in expenses related to governmental activities; only \$1,946,499 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,509,503 were not adequate to provide for these programs.
- The District has two major governmental funds, the general fund and classroom facilities fund. The general fund had \$7,657,758 in revenues and \$7,800,404 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance decreased \$144,640 from a restated deficit of \$486,731 to a deficit of \$631,371.
- The classroom facilities fund had \$3,543 in revenues and \$3,475 in expenditures. During fiscal 2005, the classroom facilities fund balance increased \$68 from \$776,708 to \$776,776.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, food service operations, and interest and fiscal charges. The statement of net assets and statement of activities can be found on pages 13 and 14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund.

Governmental Funds

Most of the 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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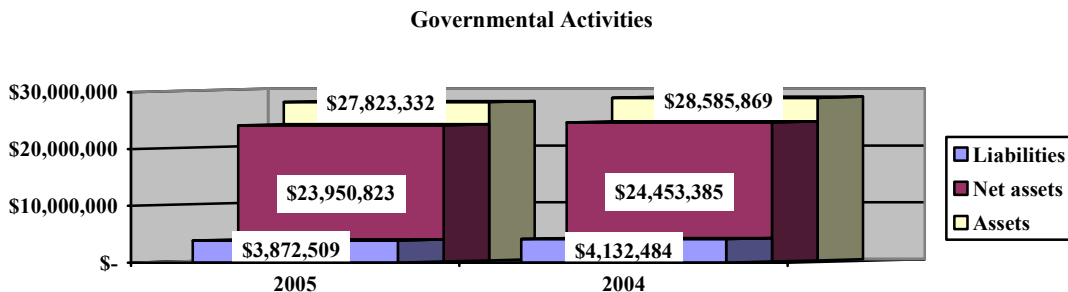
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 3,034,072	\$ 3,005,033
Capital assets	24,789,260	25,580,836
Total assets	<u>27,823,332</u>	<u>28,585,869</u>
<u>Liabilities</u>		
Current liabilities	2,423,662	2,479,133
Long-term liabilities	<u>1,448,847</u>	<u>1,653,351</u>
Total liabilities	<u>3,872,509</u>	<u>4,132,484</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,885,905	24,551,579
Restricted	1,032,962	846,814
Unrestricted (deficit)	<u>(968,044)</u>	<u>(945,008)</u>
Total net assets	<u>\$ 23,950,823</u>	<u>\$ 24,453,385</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$23,950,823. At year-end, restricted net assets were \$1,032,962, which are subject to external restriction on their use.

At year-end, capital assets represented 89.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005 were \$23,885,905. These capital assets are used to provide services to the students and are not available for future spending. Although the 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.



**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below shows the change in net assets for fiscal year 2005 compared to fiscal year 2004.

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2005</u>	<u>2004</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 503,574	\$ 426,973
Operating grants and contributions	1,442,925	1,364,829
Capital grants and contributions	-	22,825
General revenues:		
Property taxes	1,447,884	1,391,465
Grants and entitlements	5,971,914	6,004,842
Investment earnings	35,824	18,363
Other	<u>53,881</u>	<u>177,935</u>
Total revenues	<u>9,456,002</u>	<u>9,407,232</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,597,154	4,399,518
Special	1,389,538	1,317,554
Vocational	144,529	164,026
Other	53,222	31,368
Support services:		
Pupil	452,150	390,775
Instructional staff	524,250	559,423
Board of education	51,964	51,501
Administration	602,801	639,653
Fiscal	223,957	214,956
Business	20,858	21,344
Operations and maintenance	852,567	1,037,009
Pupil transportation	383,077	465,659
Central	23,876	28,908
Food service operations	416,051	402,958
Extracurricular activities	171,258	197,931
Interest and fiscal charges	<u>51,312</u>	<u>59,219</u>
Total expenses	<u>9,958,564</u>	<u>9,981,802</u>
Change in net assets	(502,562)	(574,570)
Net assets at beginning of year	<u>24,453,385</u>	<u>25,027,955</u>
Net assets at end of year	<u>\$ 23,950,823</u>	<u>\$ 24,453,385</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Governmental Activities

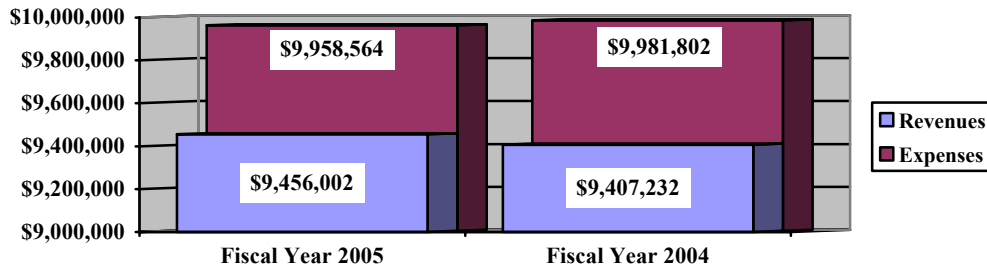
Net assets of the District's governmental activities decreased \$502,562. Total governmental expenses of \$9,958,564 were offset by program revenues of \$1,946,499 and general revenues of \$7,509,503. Program revenues supported 19.55% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 78.47% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Portage County in 2000, the District's tax valuation increased by 12% that year.

The District's financial condition has improved significantly in recent years, primarily due to increased financial support from the state. State support has increased by 5% over the last two years. Unfortunately, due to enrollment declines these increases are not projected for the future. Future increases in state funding are projected to be more inflationary rather than the low increases seen over the past several years.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

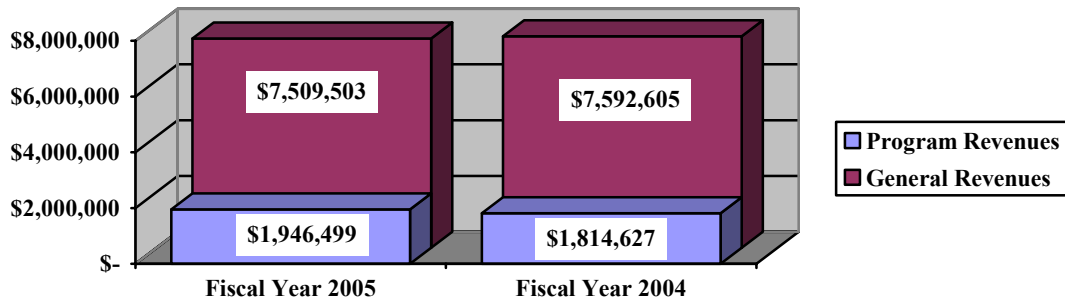
Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 4,597,154	\$ 3,852,448	\$ 4,399,518	\$ 3,681,350
Special	1,389,538	838,775	1,317,554	838,089
Vocational	144,529	144,529	164,026	164,026
Other	53,222	53,222	31,368	31,368
Support services:				
Pupil	452,150	403,729	390,775	387,552
Instructional staff	524,250	450,719	559,423	463,438
Board of education	51,964	51,964	51,501	51,501
Administration	602,801	543,248	639,653	615,568
Fiscal	223,957	223,957	214,956	214,956
Business	20,858	11,858	21,344	(31,773)
Operations and maintenance	852,567	848,105	1,037,009	1,037,009
Pupil transportation	383,077	367,474	465,659	433,248
Central	23,876	18,876	28,908	23,908
Food service operations	416,051	33,727	402,958	70,769
Extracurricular activities	171,258	118,122	197,931	126,947
Interest and fiscal charges	51,312	51,312	59,219	59,219
Total expenses	<u>\$ 9,958,564</u>	<u>\$ 8,012,065</u>	<u>\$ 9,981,802</u>	<u>\$ 8,167,175</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 79.05% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.45%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.

Governmental Activities - General and Program Revenues



**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$258,285, which is lower than last year's restated total of \$386,436. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase <u>Decrease</u>
General	\$ (631,371)	\$ (486,731)	\$ (144,640)
Classroom Facilities	776,776	776,708	68
Other Governmental	<u>112,880</u>	<u>96,459</u>	<u>16,421</u>
Total	<u>\$ 258,285</u>	<u>\$ 386,436</u>	<u>\$ (128,151)</u>

General Fund

The District's general fund balance decreased \$144,640. The decrease in fund balance can be attributed to an increase in instructional expenditures from 2004 to 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,358,613	\$ 1,275,779	6.49 %
Tuition and fees	239,624	189,323	26.57 %
Earnings on investments	26,911	12,010	124.07 %
Intergovernmental	5,964,317	5,995,142	(0.51) %
Other revenues	<u>68,293</u>	<u>148,172</u>	(53.91) %
Total	<u>\$ 7,657,758</u>	<u>\$ 7,620,426</u>	0.49 %
<u>Expenditures</u>			
Instruction	\$ 4,781,968	\$ 4,192,130	14.07 %
Support services	2,781,434	2,972,109	(6.42) %
Extracurricular activities	110,934	123,242	(9.99) %
Debt service	<u>47,310</u>	<u>55,490</u>	(14.74) %
Total	<u>\$ 7,721,646</u>	<u>\$ 7,342,971</u>	5.16 %

Classroom Facilities Fund

The classroom facilities fund had \$3,543 in revenues and \$3,475 in expenditures. During fiscal 2005, the classroom facilities fund balance increased \$68 from \$776,708 to \$776,776.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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General Fund Budgeting Highlights

The 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 the course of fiscal 2005, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$7,824,604, which is lower than the original budgeted revenues estimate of \$7,854,128. Actual revenues and other financing sources for fiscal 2005 was \$7,854,943. This represents a \$30,339 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$7,643,599 were increased to \$7,972,951 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$7,926,435, which was \$46,516 less than the final budget appropriations. The decreases in appropriations were caused by the District's worst case scenario budgeting method in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$24,789,260 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004 balances:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 207,375	\$ 207,375
Land improvements	748,918	774,187
Building and improvements	23,026,880	23,680,590
Furniture and equipment	571,052	653,438
Vehicles	<u>235,035</u>	<u>265,246</u>
Total	<u>\$ 24,789,260</u>	<u>\$ 25,580,836</u>

The overall decrease in capital assets is due to the recording of \$791,576 in depreciation expense for fiscal 2005.

See Note 8 for additional detail on capital assets.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Debt Administration

At June 30, 2005, the District had \$903,355 in bonds and a capital lease obligation outstanding. Of this total, \$116,311 is due within one year and \$787,044 is due within greater than one year. The following table summarizes the bonds and lease obligations outstanding:

Outstanding Debt, at Year End

	Governmental Activities 2005	Governmental Activities 2004
Construction bonds	\$ 772,334	\$ 802,452
Energy conservation bonds	57,615	112,226
Capital lease obligation	<u>73,406</u>	<u>114,579</u>
Total	<u>\$ 903,355</u>	<u>\$ 1,029,257</u>

The energy conservation bonds were issued in 1998. These bonds are scheduled to mature in fiscal year 2005 and bear an interest rate of 5.50%. Payment of principal and interest on the energy conservation bonds is being made from the debt service fund.

In 1998, the District passed a 2.11 mill tax levy, providing for classroom facilities construction bonds. The general obligation bonds bear an interest rate of 5.35%. Payment of principal and interest on the construction bonds is being made from the debt service fund.

At June 30, 2005, the District's overall legal debt margin was \$4,046,392 with an unvoted debt margin of \$52,928, and an energy conservation debt margin of \$418,737. The District maintains an A-1 bond rating.

See Note 10 for details of the District's long-term obligations.

Current Financial Related Activity

The District faces many challenges in the future. The District was placed in Fiscal Caution by the Ohio Department of Education and continues to be monitored on a monthly basis by an ODE representative. The District continues to examine the operating procedures for additional cost savings, while still maintaining the quality of education.

The District passed a 6.41 mill operating levy in May 2005. This will generate approximately \$339,000, on an annual basis, for five years.

The next challenge facing the District is declining enrollment. The District enrollment has decreased by approximately sixty students during fiscal year 2004. The District also decreased enrollment by ninety-eight students from fiscal year 2004 to fiscal year 2005 and has experienced another decline of approximately seventy students in the current fiscal year 2006. These declines will eventually impact the District's state funding. Deep staffing cuts have been made.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Since the District relies on the State for approximately 77% of the general operating revenues, the largest challenge facing the District is the future of state funding. The State will provide the same level of funding as provided in fiscal year 2005. The District can only assume that a hold harmless clause will exist, in some form, when the next biennial budget is passed.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Darryl Woolf, Treasurer of Windham Exempted Village School District at 9530 Bauer Avenue, Windham, Ohio 44288.

BASIC
FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,293,672
Investments.	118,241
Receivables:	
Taxes	1,529,936
Accounts	435
Intergovernmental	71,159
Materials and supplies inventory.	20,629
Capital assets:	
Land	207,375
Depreciable capital assets, net	24,581,885
Total capital assets, net	24,789,260
Total assets.	27,823,332
Liabilities:	
Accounts payable.	38,994
Accrued wages and benefits	824,143
Pension obligation payable.	192,902
Intergovernmental payable	50,595
Deferred revenue	1,310,820
Accrued interest payable	6,208
Long-term liabilities:	
Due within one year.	358,090
Due in more than one year	1,090,757
Total liabilities	3,872,509
Net Assets:	
Invested in capital assets, net of related debt.	23,885,905
Restricted for:	
Capital projects	776,776
Debt service.	54,611
Classroom facilities maintenance	18,968
Locally funded programs	1,979
State funded programs.	171
Federally funded programs	677
Student activities	35,061
Other purposes	144,719
Unrestricted (deficit)	(968,044)
Total net assets	\$ 23,950,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,597,154	\$ 272,860	\$ 471,846	\$ (3,852,448)
Special	1,389,538	-	550,763	(838,775)
Vocational	144,529	-	-	(144,529)
Other	53,222	-	-	(53,222)
Support services:				
Pupil	452,150	6,814	41,607	(403,729)
Instructional staff	524,250	-	73,531	(450,719)
Board of education	51,964	-	-	(51,964)
Administration	602,801	36,742	22,811	(543,248)
Fiscal	223,957	-	-	(223,957)
Business	20,858	-	9,000	(11,858)
Operations and maintenance	852,567	-	4,462	(848,105)
Pupil transportation	383,077	15,603	-	(367,474)
Central	23,876	-	5,000	(18,876)
Extracurricular activities	171,258	53,136	-	(118,122)
Food service operations	416,051	118,419	263,905	(33,727)
Interest and fiscal charges	51,312	-	-	(51,312)
Totals	\$ 9,958,564	\$ 503,574	\$ 1,442,925	(8,012,065)

General Revenues:

Property taxes levied for:	
General purposes	1,356,032
Debt service	70,253
Special revenue	21,599
Grants and entitlements not restricted	
to specific programs	5,971,914
Investment earnings	35,824
Miscellaneous	53,881
Total general revenues	7,509,503
Change in net assets	(502,562)
Net assets at beginning of year	24,453,385
Net assets at end of year	\$ 23,950,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 164,943	\$ 776,776	\$ 207,234	\$ 1,148,953
Investments	-	-	118,241	118,241
Receivables:				
Taxes	1,433,123	-	96,813	1,529,936
Accounts	-	-	435	435
Intergovernmental	17,018	-	54,141	71,159
Interfund loans	44,103	-	-	44,103
Materials and supplies inventory	6,742	-	13,887	20,629
Restricted assets:				
Equity in pooled cash and cash equivalents	144,719	-	-	144,719
Total assets	<u>\$ 1,810,648</u>	<u>\$ 776,776</u>	<u>\$ 490,751</u>	<u>\$ 3,078,175</u>
Liabilities:				
Accounts payable	\$ 37,873	\$ -	\$ 1,121	\$ 38,994
Accrued wages and benefits	666,044	-	158,099	824,143
Compensated absences payable	195,273	-	41,355	236,628
Pension obligation payable	159,019	-	33,883	192,902
Intergovernmental payable	41,119	-	9,476	50,595
Interfund loan payable	-	-	44,103	44,103
Deferred revenue	1,342,691	-	89,834	1,432,525
Total liabilities	<u>2,442,019</u>	<u>-</u>	<u>377,871</u>	<u>2,819,890</u>
Fund Balances:				
Reserved for encumbrances	96,200	-	8,002	104,202
Reserved for bus purchases	76,911	-	-	76,911
Reserved for materials and supplies inventory	6,742	-	13,887	20,629
Reserved for debt service	-	-	49,824	49,824
Reserved for property tax unavailable for appropriation	90,432	-	6,979	97,411
Reserved for capital acquisitions	47,505	-	-	47,505
Reserved for instructional materials	20,303	-	-	20,303
Unreserved, undesignated (deficit), reported in:				
General fund	(969,464)	-	-	(969,464)
Special revenue funds	-	-	34,188	34,188
Capital projects funds	-	776,776	-	776,776
Total fund balances (deficit)	<u>(631,371)</u>	<u>776,776</u>	<u>112,880</u>	<u>258,285</u>
Total liabilities and fund balances	<u>\$ 1,810,648</u>	<u>\$ 776,776</u>	<u>\$ 490,751</u>	<u>\$ 3,078,175</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$	258,285
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,789,260
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	121,705	
Total			121,705
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(6,208)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		772,334	
Energy conservation bonds		57,615	
Compensated absences		308,864	
Capital lease obligation		73,406	
Total			(1,212,219)
Net assets of governmental activities		\$	23,950,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 1,358,613	\$ -	\$ 91,810	\$ 1,450,423
Tuition.	237,723	-	-	237,723
Charges for services.	-	-	118,419	118,419
Earnings on investments.	26,911	3,543	5,370	35,824
Extracurricular.	-	-	107,646	107,646
Classroom materials and fees.	1,901	-	5,820	7,721
Other local revenues	68,293	-	47,387	115,680
Other revenues.	-	-	675	675
Intergovernmental - State	5,870,260	-	488,918	6,359,178
Intergovernmental - Federal.	94,057	-	936,938	1,030,995
Total revenues.	<u>7,657,758</u>	<u>3,543</u>	<u>1,802,983</u>	<u>9,464,284</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,715,450	-	563,302	4,278,752
Special.	861,964	-	507,474	1,369,438
Vocational.	151,332	-	-	151,332
Other	53,222	-	-	53,222
Support Services:				
Pupil.	393,754	-	47,666	441,420
Instructional staff	435,450	-	76,054	511,504
Board of education	51,964	-	-	51,964
Administration.	525,272	-	59,851	585,123
Fiscal	217,060	-	1,830	218,890
Business	11,858	-	9,000	20,858
Operations and maintenance.	791,920	-	22,626	814,546
Pupil transportation	353,367	-	1,882	355,249
Central.	789	-	23,087	23,876
Food service operations	-	-	366,714	366,714
Extracurricular activities.	110,934	-	47,323	158,257
Facilities acquisition and construction	-	3,475	-	3,475
Debt service:				
Principal retirement	41,173	-	84,729	125,902
Interest and fiscal charges	6,137	-	48,298	54,435
Total expenditures	<u>7,721,646</u>	<u>3,475</u>	<u>1,859,836</u>	<u>9,584,957</u>
Excess of revenues over (under) expenditures	<u>(63,888)</u>	<u>68</u>	<u>(56,853)</u>	<u>(120,673)</u>
Other financing sources (uses):				
Transfers in.	-	-	79,058	79,058
Transfers out	(78,758)	-	(300)	(79,058)
Total other financing sources (uses)	<u>(78,758)</u>	<u>-</u>	<u>78,758</u>	<u>-</u>
Net change in fund balances	(142,646)	68	21,905	(120,673)
Fund balances (deficit) at beginning of year (restated)	(486,731)	776,708	96,459	386,436
Decrease in reserve for inventory	(1,994)	-	(5,484)	(7,478)
Fund balances (deficit) at end of year	<u>\$ (631,371)</u>	<u>\$ 776,776</u>	<u>\$ 112,880</u>	<u>\$ 258,285</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

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, 2005

Net change in fund balances - total governmental funds \$ (120,673)

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 those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period accordingly.

Current year depreciation	\$ (791,576)	(791,576)
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Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		(7,478)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	(2,539)	
Intergovernmental	(5,743)	(8,282)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		125,902
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		3,123
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Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		296,422
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Change in net assets of governmental activities \$ (502,562)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,143,040	\$ 1,306,771	\$ 1,308,146	\$ 1,375
Tuition.	206,742	200,532	237,723	37,191
Earnings on investments.	16,496	16,000	26,911	10,911
Classroom materials and fees.	1,134	1,100	1,909	809
Other local revenues.	84,539	82,000	73,277	(8,723)
Intergovernmental - State	6,044,457	5,871,225	5,870,953	(272)
Intergovernmental - Federal.	103,097	100,000	100,071	71
Total revenues.	<u>7,599,505</u>	<u>7,577,628</u>	<u>7,618,990</u>	<u>41,362</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,174,660	3,368,128	3,543,010	(174,882)
Special.	737,456	734,970	870,643	(135,673)
Vocational.	169,523	170,703	157,687	13,016
Other	63,277	67,300	75,900	(8,600)
Support Services:				
Pupil.	430,287	438,336	392,619	45,717
Instructional staff	440,368	463,897	430,776	33,121
Board of education	63,720	66,307	51,906	14,401
Administration.	580,319	613,306	578,340	34,966
Fiscal	201,503	214,316	216,794	(2,478)
Business	25,774	19,469	19,340	129
Operations and maintenance.	930,497	941,899	835,259	106,640
Pupil transportation	433,850	457,024	362,455	94,569
Central.	1,543	1,620	789	831
Extracurricular activities.	119,031	126,600	111,869	14,731
Total expenditures	<u>7,371,808</u>	<u>7,683,875</u>	<u>7,647,387</u>	<u>36,488</u>
Excess of revenues over (under) expenditures.	<u>227,697</u>	<u>(106,247)</u>	<u>(28,397)</u>	<u>77,850</u>
Other financing sources (uses):				
Refund of prior year expenditure	18,557	18,000	13,339	(4,661)
Transfers in	213,054	206,655	200,293	(6,362)
Transfers (out)	(271,791)	(289,076)	(279,048)	10,028
Advances in.	23,012	22,321	22,321	-
Advances (out).	-	-	(44,103)	(44,103)
Total other financing sources (uses)	<u>(17,168)</u>	<u>(42,100)</u>	<u>(87,198)</u>	<u>(45,098)</u>
Net change in fund balance	210,529	(148,347)	(115,595)	32,752
Fund balance at beginning of year	145,239	145,239	145,239	-
Prior year encumbrances appropriated	147,297	147,297	147,297	-
Fund balances (deficit) at end of year	<u>\$ 503,065</u>	<u>\$ 144,189</u>	<u>\$ 176,941</u>	<u>\$ 32,752</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 8,878
Investments	40,561	-
	<hr/>	<hr/>
Total assets	40,561	<u>\$ 8,878</u>
Liabilities:		
Due to students.	-	\$ 8,878
	<hr/>	<hr/>
Total liabilities	-	<u>\$ 8,878</u>
Net Assets:		
Held in trust for scholarships	40,561	
	<hr/>	
Total net assets	<u>\$ 40,561</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,686
Gifts and contributions.	105
	1,791
Total additions.	1,791
Deductions:	
Scholarships awarded	1,476
	315
Change in net assets	315
Net assets at beginning of year.	40,246
	40,246
Net assets at end of year	\$ 40,561

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Windham Exempted Village School District (the "District") is located in Portage County and is located in the Village of Windham, and portions of surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 495th largest by enrollment among the 614 public and community school districts in the state. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 45 non-certified, 73 certified (including administrative) full-time and part-time employees to provide services to approximately 995 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a data consortium of 31 school districts. SPARCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39th Street NW, Canton, Ohio 44709-2300.

Maplewood Career Center

The Maplewood Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of two representatives from each of the ten participating school districts' elected boards, which possess its own budgeting and taxing authority. The jointly governed organization was formed for the purpose of providing vocational instruction to juniors and seniors in the participating districts. To obtain financial information, write to the Maplewood Career Center, Doris Hart, who serves as Treasurer, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

B. Fund Accounting

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Classroom Facilities Fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; (c) for the accumulation of resources for, and the repayment, of, long-term debt principal, interest and related costs; and (d) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Portage County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

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

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both restricted and unrestricted) and "Investments" on the basic financial statements.

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$26,911, which includes \$19,096 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result 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 in 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 District maintains a capitalization threshold of \$5,000. The 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 an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the termination method; i.e., an accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on sick leave and vacation leave balances at the end of the fiscal year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, bus purchases, debt service, materials and supplies inventory, capital acquisitions, instructional supplies, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Estimates

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

P. 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 either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount received for school bus purchases. See Note 17 for details.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (425,803)	\$ 776,708	\$ 111,584	462,489
GASB Technical Bulletin No. 2004-2	<u>(60,928)</u>	<u>-</u>	<u>(15,125)</u>	<u>(76,053)</u>
Restated Fund Balance, June 30, 2004	<u>\$ (486,731)</u>	<u>\$ 776,708</u>	<u>\$ 96,459</u>	<u>\$ 386,436</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Funds</u>	
General	\$ 631,371
<u>Nonmajor Funds</u>	
Food Service	45,515
Public School Preschool	16,320
Disadvantaged Pupil Impact Act	66,881
Summer Intervention	4,127
Poverty Aid	4,368
Title VI-B	15,852
Preschool	1,172
Title II-A	3,458

These funds complied with Ohio state law, which does not permit a cash basis deficit at fiscal year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$201,189. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2005, \$18,241 of the District’s bank balance of \$244,403 was exposed to custodial risk as discussed below, while \$226,162 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 1,260,163	\$ 1,260,163
	<u>\$ 1,260,163</u>	<u>\$ 1,260,163</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio and AAAM money market rating.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,260,163	100.00%
	<u>\$ 1,260,163</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 201,189
Investments	<u>1,260,163</u>
Total	<u>\$ 1,461,352</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,411,913
Private-purpose trust funds	40,561
Agency funds	<u>8,878</u>
Total	<u>\$ 1,461,352</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor special revenue fund	\$ 44,103

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the statement of net assets.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ 78,758
Nonmajor governmental funds	<u>300</u>
Total Transfers	<u>\$ 79,058</u>

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, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available as an advance has been recorded as revenue.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$90,432 in the general fund, \$1,594 in the special revenue funds, and \$5,385 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2004, was \$39,965 in the general fund, \$693 in the special revenue funds, and \$2,349 in the Bond Retirement debt service fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 43,408,440	83.18	\$ 43,993,140	83.12
Public utility personal	2,808,150	5.38	2,877,550	5.44
Tangible personal property	<u>5,968,909</u>	<u>11.44</u>	<u>6,057,280</u>	<u>11.44</u>
Total	<u>\$ 52,185,499</u>	<u>100.00</u>	<u>\$ 52,927,970</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.61		\$ 50.33	

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees) 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Property taxes	\$ 1,529,936
Accounts	435
Intergovernmental	<u>71,159</u>
Total	<u>\$ 1,601,530</u>

Receivables have been disaggregated on the face of the basic finance statements. All receivables are expected to be collected within subsequent years.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 207,375	\$ -	\$ -	\$ 207,375
Total capital assets, not being depreciated	<u>207,375</u>	<u>-</u>	<u>-</u>	<u>207,375</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,025,741	-	-	1,025,741
Building and improvements	26,447,037	-	-	26,447,037
Furniture and equipment	1,095,736	-	-	1,095,736
Vehicles	<u>488,089</u>	<u>-</u>	<u>-</u>	<u>488,089</u>
Total capital assets, being depreciated	<u>29,056,603</u>	<u>-</u>	<u>-</u>	<u>29,056,603</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(251,554)	(25,269)	-	(276,823)
Building and improvements	(2,766,447)	(653,710)	-	(3,420,157)
Furniture and equipment	(442,298)	(82,386)	-	(524,684)
Vehicles	<u>(222,843)</u>	<u>(30,211)</u>	<u>-</u>	<u>(253,054)</u>
Total accumulated depreciation	<u>(3,683,142)</u>	<u>(791,576)</u>	<u>-</u>	<u>(4,474,718)</u>
Governmental activities capital assets, net	<u>\$ 25,580,836</u>	<u>\$ (791,576)</u>	<u>\$ -</u>	<u>\$ 24,789,260</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 519,127
Special	35,646
Vocational	7,535
<u>Support Services:</u>	
Pupil	8,335
Instructional Staff	37,934
Administration	47,285
Fiscal	5,271
Operations and Maintenance	37,099
Pupil Transportation	30,199
Extracurricular Activities	13,001
Food Service Operation	<u>50,144</u>
Total depreciation expense	<u>\$ 791,576</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for copier equipment. These lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of office equipment have been capitalized in the amount of \$302,967. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$41,173 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 30,948
2007	30,948
2008	<u>18,053</u>
Total minimum lease payments	79,949
Less amount representing interest	<u>(6,543)</u>
Total	<u>\$ 73,406</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Interest	Balance			Balance	Amounts
	Rate	Outstanding	Additions	Reductions	Outstanding	Due in
		06/30/04			06/30/05	One Year
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Energy conservation bonds	5.50%	\$ 112,226	\$ -	\$ (54,611)	\$ 57,615	\$ 57,615
Construction bonds	5.35%	<u>802,452</u>	<u>-</u>	<u>(30,118)</u>	<u>772,334</u>	<u>31,730</u>
Total general obligation bonds payable		<u>\$ 914,678</u>	<u>\$ -</u>	<u>\$ (84,729)</u>	<u>\$ 829,949</u>	<u>\$ 89,345</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		\$ 114,579	\$ -	\$ (41,173)	\$ 73,406	\$ 26,966
Compensated absences		<u>624,094</u>	<u>5,151</u>	<u>(83,753)</u>	<u>545,492</u>	<u>241,779</u>
Total other long-term obligations		<u>\$ 738,673</u>	<u>\$ 5,151</u>	<u>\$ (124,926)</u>	<u>\$ 618,898</u>	<u>\$ 268,745</u>
Total governmental activities		<u>\$ 1,653,351</u>	<u>\$ 5,151</u>	<u>\$ (209,655)</u>	<u>\$ 1,448,847</u>	<u>\$ 358,090</u>

Energy Conservation Bonds: The District issued energy conservation bonds during fiscal year 1998. These bonds are retired from the debt service fund.

Construction Bonds: The District issued classroom facilities construction bonds during fiscal year 1998. These bonds will be retired from the debt service fund with revenue generated from a 2.11 mill levy. The district also passed a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue has been reported in the special revenue funds.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 9 for details.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2005, are as follows:

<u>Year Ended</u>	<u>Classroom Facilities Bonds</u>			<u>Energy Conservation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 31,730	\$ 40,471	\$ 72,201	\$ 57,615	\$ 3,169	\$ 60,784
2007	33,427	38,728	72,155	-	-	-
2008	35,215	36,892	72,107	-	-	-
2009	37,099	34,958	72,057	-	-	-
2010	39,084	32,920	72,004	-	-	-
2011 - 2015	229,116	130,002	359,118	-	-	-
2016 - 2020	297,322	59,971	357,293	-	-	-
2021	69,341	1,855	71,196	-	-	-
Total	\$ 772,334	\$ 375,797	\$ 1,148,131	\$ 57,615	\$ 3,169	\$ 60,784

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$4,046,392 (including available funds of \$55,209) and an unvoted debt margin of \$52,928, and an energy conservation debt margin of \$418,737.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of seventy days for both certificated and classified employees. Classified employees also receive a bonus of 10% of the sick leave balance over 180 days up to 300 days. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

B. Insurance Benefits

The District provides life insurance to all full-time employees in the amount of \$33,000 for certified, \$30,000 for classified and \$22,000 for administrative staff.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District participates in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 11 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverages and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. The insurance agreement with the Consortium also provides that the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2005, the District contracted with the following carriers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance	Automobile	\$250 Comprehensive; \$500 Collision
Indiana Insurance	General Liability	\$0
Indiana Insurance	Property Insurance	\$2,500

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

B. Group Health and Dental Insurance

Health, life, dental and other group insurance is offered to employees as a fringe benefit. Employer and employee contributions to premium are determined by negotiated agreements with employee labor unions (currently, single and family coverage is 90% Board-paid and 10% employee-paid for employees hired after September 1, 2001 - for all other employees 95% is Board-paid and 5% is employee paid).

While all benefit plans are traditionally-funded through common carriers, the Board's group health plan contains provisions for discounted amounts to be remitted to the carrier during the year (90% of the carrier-established premium for fiscal 2005), contingent upon the group's claims experience for the year. While the District has not retained risk for any claims, should the group's claim costs for the year exceed the threshold of the discounted amount remitted to the carrier during the year, the District must remit additional premium, to a maximum of the difference between the discounted premium and the full premium.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$133,557, \$143,651 and \$160,892, respectively; 38.21% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$82,524 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 times 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. 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 become 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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 employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$553,729, \$544,361, and \$570,900, respectively; 82.76% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$95,460 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$490 made by the District and \$717 made by 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 Systems/State Teachers Retirement System. As of June 30, 2005, one member of the Board of Education has elected Social Security. The District's liability is 6.2% of wages paid.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$39,552 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, 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 fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. 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 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$51,633 during the 2005 fiscal year.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (115,595)
Net adjustment for revenue accruals	38,768
Net adjustment for expenditure accruals	(206,980)
Net adjustment for other sources/uses	8,440
Adjustment for encumbrances	<u>132,741</u>
GAAP basis	<u>\$ (142,626)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (21,097)	\$ -
Current year set-aside requirement	148,098	148,098
Qualifying disbursements	<u>(106,698)</u>	<u>(100,593)</u>
Total	<u>\$ 20,303</u>	<u>\$ 47,505</u>
Balance carried forward to FY 2006	<u>\$ 20,303</u>	<u>\$ 47,505</u>

In addition to the above statutory reserves, the District has \$76,911 restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

Amount restricted for school bus purchases	\$ 76,911
Amount restricted for capital acquisition	47,505
Amount restricted for instructional materials	<u>20,303</u>
Total restricted assets	<u>\$ 144,719</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 18 - FINANCIAL CONDITION

On December 31, 2002, the District was declared to be in fiscal caution by the Ohio Department of Education and Auditor of State. The general fund and other funds' year-end deficit balances have been disclosed in Note 3. An entity may be released from fiscal caution if the Department of Education determines that corrective actions have been or are being implemented. The Auditor of State's office released a performance audit of the District on November 20, 2003. The performance audit report provided recommendations to eliminate the conditions that brought about the declaration of fiscal caution. The performance audit report contained the following noteworthy accomplishments made by the District while in fiscal caution: 1) the District decreased expenditures in various areas, thereby increasing ending fund balances and improving its financial condition. For instance, the Board of Education approved 18.9 Full-Time Equivalent (FTE) staff reductions, which was a recommendation of the performance audit; 2) the treasurer updated previous forecasts to present more reliable and accurate projections; 3) as recommended in the performance audit, the District closed East Elementary School at the end of the FY 2002-03 school year, reduced staff, and leased the facility to the PCESC for several years; 4) the District joined the Ohio Schools Council (OSC) to take advantage of group purchasing agreements and consortiums to help reduce operating costs; 5) the District reduced one bus route; 6) renegotiated fuel prices; (7) adjusted temperature settings; (8) exploring options to cover special needs transportation; and (9) the maximum out-of-pocket costs for medical expenses have been increased and the prescription program was changed to a three-tier plan.

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**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ <i>Pass-Through/</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster :</i>						
Food Distribution	None	10.550		\$19,243		\$15,354
National School Breakfast Program	045666-05-PU 2005	10.553	40,674		40,674	
National School Lunch Program	045666-LL-P4 2005	10.555	154,809		154,809	
Total U.S.Department of Agriculture-Nutrition Cluster			195,483	19,243	195,483	15,354
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies (Title 1 Part A)	045666- C1S1-2004 045666-C1S1-2005	84.010 84.010	17,216 357,602		41,654 315,903	
Total Title 1 Grants to Local Educational Agencies			374,818		357,557	
Special Education Cluster:						
Special Education-Grants to States (IDEA Part B)	045666-6BEF-2004 045666-6BEF-2005	84.027 84.027	258,186		6,210 238,487	
Total Special Education-Grants to States			258,186		244,697	
Special Education-Preschool Grant Total Special Education Cluster	045666-PGS1-2005	84.173	10,923 269,109		10,088 254,785	
Impact Aid	045666-S041A-2005	84.041	48,178		48,178 0	
Safe and Drug-Free Schools and Communities-State Grants Total Safe and Drug-Free Schools and Communities	045666-DRS1-2004 045666-DRS1-2005	84.186 84.186	5,144		245 7,220	
Innovative Education Program Strategies Total Innovative Education Program Strategies	045666-C2S1-2004 045666-C2S1-2005	84.298 84.298	2,983 4,694		4,396 4,694	
Technology Literacy Challenge Fund Grant Total Technology Literacy Challenge Fund Grant	045666-TF51-2004 045666-TF51-2005	84.318 84.318	10,268		745 9,591	
Improving Teacher Quality Total Improving Teacher Quality	045666-TR-S1-2004 045666-TR-S1-2005	84.367 84.367	1,481 61,098		8,081 62,345	
Total U.S. Department of Education			777,773		757,837	
U.S. DEPARTMENT OF HUMAN SERVICES						
<i>Passed through Ohio Department of MR/DD</i>						
State Children's Insurance Program (SCHIP)		93.767	419		419	
Medical Assistance Program (CAFS)		93.778	32,741		13,193	
Total U.S. Department of Human Services			33,160		13,612	
Total Federal Financial Assistance			\$1,006,416	\$19,243	\$966,932	\$15,354

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards 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

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. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

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

Windham Exempted Village School District
Portage County
9530 Bauer Avenue
Windham, Ohio 44288

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 Windham Exempted Village School District, Portage County (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2006, wherein we noted the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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

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

Betty Montgomery
Auditor of State

March 10, 2006



Auditor of State Betty Montgomery

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

Windham Exempted Village School District
Portage County
9530 Bauer Avenue
Windham, Ohio 44288

To the Board of Education:

Compliance

We have audited the compliance of the Windham Exempted Village School District, Portage County (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 each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 Windham Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

March 10, 2006

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions 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 weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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 IDEA Part B CFDA # 84.027 & 84.173 Nutrition Cluster CFDA #'s 10.550,10.553,10.555
<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**

Finding Number	N/A-No finding is reported
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A-No finding is reported
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**Auditor of State
Betty Montgomery**

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**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE 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
JUNE 22, 2006**