



Mary Taylor, CPA
Auditor of State

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY**

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Mary Taylor, CPA

Auditor of State

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 Exempt Village School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2006, 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 Exempt Village School District, Portage County, Ohio, as of June 30, 2006, 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.

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 1, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management 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.

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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 also 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.

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

Mary Taylor, CPA
Auditor of State

March 1, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities decreased \$1,245,081 which represents a 5.20% decrease from 2005.
- General revenues accounted for \$7,709,610 in revenue or 78.17% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,152,825 or 21.83% of total revenues of \$9,862,435.
- The District had \$11,107,516 in expenses related to governmental activities; only \$2,152,825 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 \$7,709,610 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 \$7,931,023 in revenues and other financing sources and \$7,883,667 in expenditures and other financing uses. During fiscal 2006, the general fund's fund balance increased \$47,693 from a deficit of \$631,371 to a deficit of \$583,678.
- The classroom facilities fund had \$7,451 in revenues and \$524,660 in expenditures. During fiscal 2006, the classroom facilities fund balance decreased \$517,209 from \$776,776 to \$259,567.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

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 2006?" 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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

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 22-47 of this report.

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 <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 2,657,242	\$ 3,034,072
Capital assets	<u>24,154,387</u>	<u>24,789,260</u>
Total assets	<u>26,811,629</u>	<u>27,823,332</u>
<u>Liabilities</u>		
Current liabilities	2,665,239	2,423,662
Long-term liabilities	<u>1,440,648</u>	<u>1,448,847</u>
Total liabilities	<u>4,105,887</u>	<u>3,872,509</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,310,360	23,885,905
Restricted	417,648	1,032,962
Unrestricted (deficit)	<u>(1,022,266)</u>	<u>(968,044)</u>
Total net assets	<u>\$ 22,705,742</u>	<u>\$ 23,950,823</u>

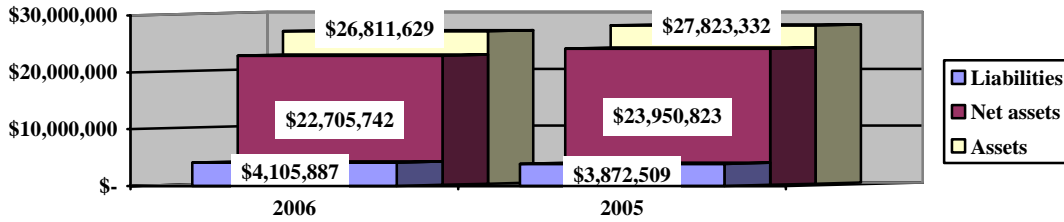
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$22,705,742. At year-end, restricted net assets were \$417,648, which are subject to external restriction on their use.

At year-end, capital assets represented 90.09% 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, 2006 were \$23,310,360. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 compared to fiscal year 2005.

	Change in Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 525,831	\$ 503,574
Operating grants and contributions	1,617,010	1,442,925
Capital grants and contributions	9,984	-
General revenues:		
Property taxes	1,573,296	1,447,884
Grants and entitlements	5,944,568	5,971,914
Investment earnings	49,302	35,824
Other	142,444	53,881
Total revenues	<u>9,862,435</u>	<u>9,456,002</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,863,094	4,597,154
Special	1,947,419	1,389,538
Vocational	180,658	144,529
Other	50,069	53,222
Support services:		
Pupil	473,068	452,150
Instructional staff	514,097	524,250
Board of education	38,667	51,964
Administration	764,626	602,801
Fiscal	242,542	223,957
Business	35,829	20,858
Operations and maintenance	916,411	852,567
Pupil transportation	423,965	383,077
Central	19,948	23,876
Operations of non-instructional services:		
Food service operations	383,004	416,051
Extracurricular activities	203,717	171,258
Interest and fiscal charges	<u>50,402</u>	<u>51,312</u>
Total expenses	<u>11,107,516</u>	<u>9,958,564</u>
Change in net assets	(1,245,081)	(502,562)
Net assets at beginning of year	<u>23,950,823</u>	<u>24,453,385</u>
Net assets at end of year	<u>\$ 22,705,742</u>	<u>\$ 23,950,823</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,245,081. Total governmental expenses of \$11,107,516 were offset by program revenues of \$2,152,825 and general revenues of \$7,709,610. Program revenues supported 19.38% 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 76.23% of total governmental revenue.

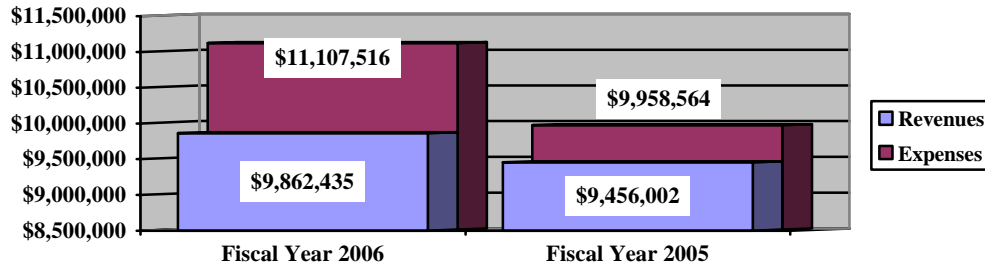
The District's financial condition has improved significantly in recent years, primarily due to increased financial support from the state. State support has increased by 5% over the last two years. Unfortunately, due to enrollment declines these increases are not projected for the future. Future increases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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

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.

Governmental Activities

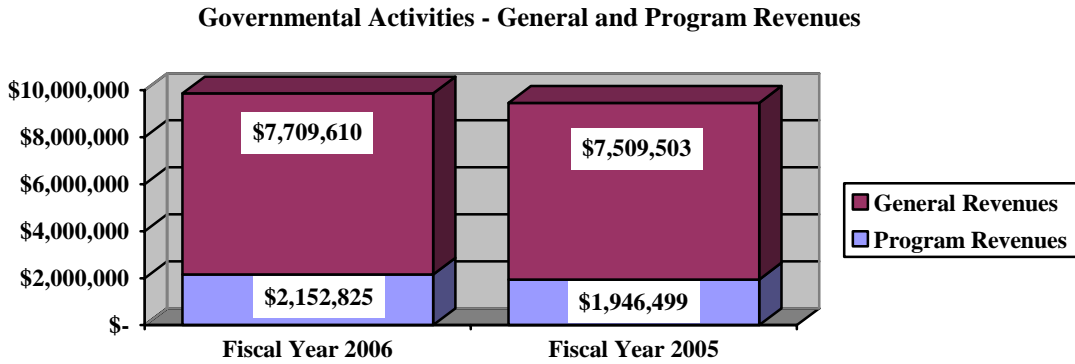
	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses				
Instruction:				
Regular	\$ 4,863,094	\$ 3,987,889	\$ 4,597,154	\$ 3,852,448
Special	1,947,419	1,348,610	1,389,538	838,775
Vocational	180,658	180,658	144,529	144,529
Other	50,069	41,712	53,222	53,222
Support services:				
Pupil	473,068	452,420	452,150	403,729
Instructional staff	514,097	416,014	524,250	450,719
Board of education	38,667	38,667	51,964	51,964
Administration	764,626	685,624	602,801	543,248
Fiscal	242,542	242,542	223,957	223,957
Business	35,829	26,829	20,858	11,858
Operations and maintenance	916,411	898,912	852,567	848,105
Pupil transportation	423,965	404,630	383,077	367,474
Central	19,948	14,948	23,876	18,876
Operations of non-instructional services:				
Food service operations	383,004	36,506	416,051	33,727
Extracurricular activities	203,717	128,328	171,258	118,122
Interest and fiscal charges	50,402	50,402	51,312	51,312
Total expenses	<u>\$ 11,107,516</u>	<u>\$ 8,954,691</u>	<u>\$ 9,958,564</u>	<u>\$ 8,012,065</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 78.95% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.62%. 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 2006 and 2005.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit of \$193,803, which is lower than last year's fund balance of \$258,285. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	Increase <u>(Decrease)</u>
General	\$ (583,678)	\$ (631,371)	\$ 47,693
Classroom Facilities	259,567	776,776	(517,209)
Other Governmental	<u>130,308</u>	<u>112,880</u>	<u>17,428</u>
Total	<u>\$ (193,803)</u>	<u>\$ 258,285</u>	<u>\$ (452,088)</u>

General Fund

The District's general fund deficit decreased \$47,693. The decrease in fund deficit can be attributed to increasing revenues outpacing increasing expenditures from 2005 to 2006. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,446,864	\$ 1,358,613	6.50 %
Tuition and fees	244,801	239,624	2.16 %
Earnings on investments	35,581	26,911	32.22 %
Intergovernmental	5,932,735	5,964,317	(0.53) %
Other revenues	<u>161,281</u>	<u>68,293</u>	136.16 %
Total	<u>\$ 7,821,262</u>	<u>\$ 7,657,758</u>	2.14 %
<u>Expenditures</u>			
Instruction	\$ 4,706,984	\$ 4,781,968	(1.57) %
Support services	2,785,506	2,781,434	0.15 %
Extracurricular activities	118,660	110,934	6.96 %
Capital outlay	109,761	-	100.00 %
Debt service	<u>89,595</u>	<u>47,310</u>	89.38 %
Total	<u>\$ 7,810,506</u>	<u>\$ 7,721,646</u>	1.15 %

Classroom Facilities Fund

The classroom facilities fund had \$7,451 in revenues and \$524,660 in expenditures. During fiscal 2006, the classroom facilities fund balance decreased \$517,209 from \$776,776 to \$259,567.

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 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$8,124,220, which is greater than the original budgeted revenues estimate of \$7,841,320. Actual revenues and other financing sources for fiscal 2006 was \$8,259,584. This represents a \$135,364 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$8,169,428 were increased to \$8,391,867 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$8,359,348, which was \$32,519 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$24,154,387 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 2006 balances compared to 2005 balances:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 207,375	\$ 207,375
Land improvements	723,680	748,918
Building and improvements	22,372,536	23,026,880
Furniture and equipment	554,818	571,052
Vehicles	<u>295,978</u>	<u>235,035</u>
Total	<u>\$ 24,154,387</u>	<u>\$ 24,789,260</u>

The overall decrease in capital assets is due to depreciation expense of \$763,289 exceeding capital outlays of \$198,701 and disposals of \$131,784 exceeding accumulated depreciation on the disposals of \$61,499 for fiscal 2006.

See Note 8 for additional detail on capital assets.

Debt Administration

At June 30, 2006, the District had \$844,027 in bonds and a capital lease obligation outstanding. Of this total, \$52,470 is due within one year and \$791,557 is due within greater than one year. The following table summarizes the bonds and lease obligations outstanding:

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2006</u>	<u>2005</u>
Construction bonds	\$ 740,604	\$ 772,334
Energy conservation bonds	-	57,615
Capital lease obligation	<u>103,423</u>	<u>73,406</u>
Total	<u>\$ 844,027</u>	<u>\$ 903,355</u>

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

At June 30, 2006, the District's overall legal debt margin was \$4,083,268 with an unvoted debt margin of \$52,928. 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. With the additional revenue generated by the levy, the District projects operating revenue to meet operating expenses through fiscal year 2008. A deficit balance is projected in fiscal years 2009 and 2010. The five-year forecast is a fluid tool and the District faces many challenges as it struggles to reestablish a cash balance.

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 fiscal year 2006. These declines will eventually impact the District's state funding. Administration is hopeful that enrollment declines will level off in future years. Deep staffing cuts have been made and additional staff reductions are projected over the next few years due to decreasing enrollment.

Since the District relies on the State for approximately 76% of the general operating revenues, the largest challenge facing the District is the future of state funding. The passage of HB 66 has held the District harmless for fiscal years 2006 and 2007. 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. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. 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. At this time, the District is unable to determine what affect, if any, this decision will have on its future State funding and on its financial operations.

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, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 696,077
Investments.	140,280
Receivables:	
Taxes	1,771,858
Accounts	6,984
Intergovernmental	26,441
Materials and supplies inventory.	15,602
Capital assets:	
Land	207,375
Depreciable capital assets, net	23,947,012
Total capital assets, net	<u>24,154,387</u>
 Total assets.	 <u>26,811,629</u>
 Liabilities:	
Accounts payable.	81,262
Accrued wages and benefits	825,281
Pension obligation payable.	170,799
Intergovernmental payable	64,855
Deferred revenue	1,520,111
Accrued interest payable	2,931
Long-term liabilities:	
Due within one year.	84,854
Due in more than one year	1,355,794
 Total liabilities	 <u>4,105,887</u>
 Net Assets:	
Invested in capital assets, net of related debt.	23,310,360
Restricted for:	
Capital projects	266,352
Debt service.	63,351
Classroom facilities maintenance	5,673
Locally funded programs	1,769
State funded programs.	2,507
Federally funded programs	285
Student activities	44,639
Other purposes	33,072
Unrestricted (deficit)	<u>(1,022,266)</u>
 Total net assets	 <u>\$ 22,705,742</u>

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, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,863,094	\$ 271,824	\$ 593,397	\$ 9,984	\$ (3,987,889)
Special	1,947,419	-	598,809	-	(1,348,610)
Vocational	180,658	-	-	-	(180,658)
Other	50,069	-	8,357	-	(41,712)
Support services:					
Pupil	473,068	4,950	15,698	-	(452,420)
Instructional staff	514,097	-	98,083	-	(416,014)
Board of education	38,667	-	-	-	(38,667)
Administration	764,626	40,977	38,025	-	(685,624)
Fiscal	242,542	-	-	-	(242,542)
Business	35,829	-	9,000	-	(26,829)
Operations and maintenance	916,411	-	17,499	-	(898,912)
Pupil transportation	423,965	19,335	-	-	(404,630)
Central	19,948	-	5,000	-	(14,948)
Operation of non-instructional services:					
Food service operations	383,004	114,359	232,139	-	(36,506)
Extracurricular activities	203,717	74,386	1,003	-	(128,328)
Interest and fiscal charges	50,402	-	-	-	(50,402)
Totals	\$ 11,107,516	\$ 525,831	\$ 1,617,010	\$ 9,984	(8,954,691)

General Revenues:

Property taxes levied for:	
General purposes	1,482,844
Debt service	69,536
Special revenue	20,916
Grants and entitlements not restricted to specific programs	
Investment earnings	5,944,568
Miscellaneous	49,302
	142,444
Total general revenues	7,709,610
Change in net assets	(1,245,081)
Net assets at beginning of year	23,950,823
Net assets at end of year	\$ 22,705,742

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<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	\$ 212,516	\$ 272,962	\$ 177,527	\$ 663,005
Investments.	-	-	140,280	140,280
Receivables:				
Taxes	1,676,461	-	95,397	1,771,858
Accounts	6,984	-	-	6,984
Intergovernmental.	2,189	-	24,252	26,441
Materials and supplies inventory.	7,079	-	8,523	15,602
Restricted assets:				
Equity in pooled cash and cash equivalents	33,072	-	-	33,072
Total assets.	<u>\$ 1,938,301</u>	<u>\$ 272,962</u>	<u>\$ 445,979</u>	<u>\$ 2,657,242</u>
Liabilities:				
Accounts payable	\$ 31,018	\$ 13,395	\$ 36,849	\$ 81,262
Accrued wages and benefits	680,340	-	144,941	825,281
Compensated absences payable.	28,266	-	-	28,266
Pension obligation payable	143,686	-	27,113	170,799
Intergovernmental payable	50,303	-	14,552	64,855
Deferred revenue	1,588,366	-	92,216	1,680,582
Total liabilities	<u>2,521,979</u>	<u>13,395</u>	<u>315,671</u>	<u>2,851,045</u>
Fund Balances:				
Reserved for encumbrances.	21,007	45,414	3,283	69,704
Reserved for bus purchases	12,379	-	-	12,379
Reserved for materials and supplies inventory	7,079	-	8,523	15,602
Reserved for debt service.	-	-	56,066	56,066
Reserved for property tax unavailable for appropriation.	88,095	-	5,554	93,649
Reserved for textbooks.	20,693	-	-	20,693
Unreserved, undesignated (deficit), reported in:				
General fund.	(732,931)	-	-	(732,931)
Special revenue funds	-	-	50,097	50,097
Capital projects funds	-	214,153	6,785	220,938
Total fund balances (deficit)	<u>(583,678)</u>	<u>259,567</u>	<u>130,308</u>	<u>(193,803)</u>
Total liabilities and fund balances	<u>\$ 1,938,301</u>	<u>\$ 272,962</u>	<u>\$ 445,979</u>	<u>\$ 2,657,242</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, 2006

Total governmental fund balances		\$ (193,803)
<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.		24,154,387
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 158,098	
Intergovernmental revenue	<u>2,373</u>	
Total		160,471
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(2,931)
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	740,604	
Compensated absences	568,355	
Capital lease obligation	<u>103,423</u>	
Total		<u>(1,412,382)</u>
Net assets of governmental activities		<u>\$ 22,705,742</u>

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, 2006

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 1,446,864	\$ -	\$ 90,039	\$ 1,536,903
Tuition.	244,801	-	-	244,801
Charges for services.	-	-	114,359	114,359
Earnings on investments.	35,581	7,451	6,270	49,302
Extracurricular.	-	-	140,898	140,898
Classroom materials and fees.	1,024	-	4,468	5,492
Other local revenues	160,257	-	30,463	190,720
Intergovernmental - Intermediate.	-	-	3,085	3,085
Intergovernmental - State	5,779,764	-	670,249	6,450,013
Intergovernmental - Federal.	152,971	-	935,125	1,088,096
Total revenues.	<u>7,821,262</u>	<u>7,451</u>	<u>1,994,956</u>	<u>9,823,669</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,325,623	-	603,330	3,928,953
Special.	1,191,730	-	608,752	1,800,482
Vocational.	151,824	-	-	151,824
Other	37,807	-	9,648	47,455
Support services:				
Pupil.	410,840	-	22,835	433,675
Instructional staff	341,051	-	120,479	461,530
Board of education	36,648	-	-	36,648
Administration.	540,579	-	91,265	631,844
Fiscal	226,026	-	1,844	227,870
Business	9,555	-	9,000	18,555
Operations and maintenance.	784,076	-	57,532	841,608
Pupil transportation	434,917	-	2,911	437,828
Central.	1,814	-	17,092	18,906
Food service operations	-	-	305,366	305,366
Extracurricular activities	118,660	-	62,098	180,758
Facilities acquisition and construction	-	524,660	-	524,660
Capital outlay	109,761	-	-	109,761
Debt service:				
Principal retirement	79,744	-	89,345	169,089
Interest and fiscal charges	9,851	-	43,828	53,679
Total expenditures	<u>7,810,506</u>	<u>524,660</u>	<u>2,045,325</u>	<u>10,380,491</u>
Excess of revenues over (under) expenditures	10,756	(517,209)	(50,369)	(556,822)
Other financing sources (uses):				
Transfers in.	-	-	73,161	73,161
Transfers out	(73,161)	-	-	(73,161)
Capital lease transaction.	109,761	-	-	109,761
Total other financing sources (uses)	<u>36,600</u>	<u>-</u>	<u>73,161</u>	<u>109,761</u>
Net change in fund balances	47,356	(517,209)	22,792	(447,061)
Fund balances (deficit) at beginning of beginning of year				
	(631,371)	776,776	112,880	258,285
Increase (decrease) in reserve for inventory.				
	337	-	(5,364)	(5,027)
Fund balances (deficit) at end of year	<u>\$ (583,678)</u>	<u>\$ 259,567</u>	<u>\$ 130,308</u>	<u>\$ (193,803)</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, 2006

Net change in fund balances - total governmental funds \$ (447,061)

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.

Capital asset additions	\$ 198,701	
Depreciation expense	(763,289)	
Total		(564,588)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

Capital asset disposals	(131,784)	
Accumulated depreciation on disposals	61,499	
Total		(70,285)

Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.

(5,027)

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

Delinquent property taxes	36,393	
Intergovernmental	2,373	
Total		38,766

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

169,089

Proceeds of capital lease transaction are recorded as revenue in the funds, however, on the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets.

(109,761)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

3,277

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.

(259,491)

Change in net assets of governmental activities \$ (1,245,081)

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, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,403,743	\$ 1,454,387	\$ 1,449,201	\$ (5,186)
Tuition.	235,455	243,950	244,801	851
Earnings on investments.	33,781	35,000	35,581	581
Classroom materials and fees.	1,689	1,750	1,024	(726)
Other local revenues.	65,632	68,000	89,047	21,047
Intergovernmental - State	5,542,510	5,742,473	5,779,764	37,291
Intergovernmental - Federal.	155,394	161,000	167,800	6,800
Total revenues.	<u>7,438,204</u>	<u>7,706,560</u>	<u>7,767,218</u>	<u>60,658</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,409,803	3,502,646	3,516,260	(13,614)
Special.	1,072,596	1,101,801	1,132,592	(30,791)
Vocational.	166,431	170,962	169,700	1,262
Other	58,789	60,390	37,807	22,583
Support services:				
Pupil.	398,707	409,563	409,523	40
Instructional staff	373,727	383,903	381,547	2,356
Board of education	33,488	34,400	35,503	(1,103)
Administration.	542,324	557,091	566,303	(9,212)
Fiscal	227,461	233,654	229,603	4,051
Business	16,076	16,514	9,053	7,461
Operations and maintenance.	812,285	834,402	795,762	38,640
Pupil transportation	431,292	443,035	436,875	6,160
Central.	1,766	1,814	1,814	-
Extracurricular activities.	123,906	127,280	123,016	4,264
Total expenditures	<u>7,668,651</u>	<u>7,877,455</u>	<u>7,845,358</u>	<u>32,097</u>
Excess of revenues over (under) expenditures.	<u>(230,447)</u>	<u>(170,895)</u>	<u>(78,140)</u>	<u>92,755</u>
Other financing sources (uses):				
Refund of prior year expenditure	7,721	8,000	7,441	(559)
Refund of prior year (receipts).	(7)	(7)	(7)	-
Transfers in	352,828	365,557	440,822	75,265
Transfers (out)	(500,770)	(514,405)	(513,983)	422
Advances in.	42,567	44,103	44,103	-
Total other financing sources (uses)	<u>(97,661)</u>	<u>(96,752)</u>	<u>(21,624)</u>	<u>75,128</u>
Net change in fund balance	(328,108)	(267,647)	(99,764)	167,883
Fund balance at beginning of year	176,941	176,941	176,941	-
Prior year encumbrances appropriated	132,721	132,721	132,721	-
Fund balances (deficit) at end of year	<u>\$ (18,446)</u>	<u>\$ 42,015</u>	<u>\$ 209,898</u>	<u>\$ 167,883</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, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 10,404
Investments	<u>40,015</u>	<u>-</u>
Total assets	<u>40,015</u>	<u>\$ 10,404</u>
Liabilities:		
Due to students.	-	\$ 10,404
Total liabilities	<u>-</u>	<u>\$ 10,404</u>
Net Assets:		
Held in trust for scholarships	<u>40,015</u>	
Total net assets	<u>\$ 40,015</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, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,679
Total additions.	1,679
Deductions:	
Scholarships awarded	2,225
Change in net assets	(546)
Net assets at beginning of year.	40,561
Net assets at end of year	\$ 40,015

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, 2006**

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 503rd largest by enrollment among the 615 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 39 non-certified, 76 certified (including administrative) full-time and part-time employees to provide services to approximately 958 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, 2006

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, Michelle Seckman, 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, 2006

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, 2006**

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, 2006**

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, 2006, but which were levied to finance fiscal year 2007 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.

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, 2006**

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, 2006**

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 2006, 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 2006. 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, 2006.

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 2006 amounted to \$35,581, which includes \$23,526 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, 2006

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>	Governmental Activities <u>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. The District had no interfund loans outstanding at June 30, 2006.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, instructional materials, 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation were \$60,821 in the statement of net assets.

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, 2006

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 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Funds</u>	
General	\$ 583,678
<u>Nonmajor Funds</u>	
Food Service	9,851
Public School Preschool	24,362
Ohio Reads	32,289
Poverty Aid	69,963
Title VI-B	21,929
Title I	5,185
Handicapped Preschool	473
Improving Teacher Quality	3,973

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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,
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$233,520. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$40,280 of the District's bank balance of \$263,457 was exposed to custodial risk as discussed below, while \$223,177 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, 2006, 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	\$ 653,256	\$ 653,256
	<u>\$ 653,256</u>	<u>\$ 653,256</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.

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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 653,256	100.00%
	<u>\$ 653,256</u>	<u>100.00%</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 233,520
Investments	<u>653,256</u>
Total	<u>\$ 886,776</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 836,357
Private-purpose trust fund	40,015
Agency fund	<u>10,404</u>
Total	<u>\$ 886,776</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	<u>\$ 73,161</u>
Total Transfers	<u>\$ 73,161</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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006 was \$88,095 in the general fund, \$1,265 in the special revenue funds, and \$4,289 in the Bond Retirement debt service fund. 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 43,993,140	83.12	\$ 43,993,140	83.12
Public utility personal	2,877,550	5.44	2,877,550	5.44
Tangible personal property	<u>6,057,280</u>	<u>11.44</u>	<u>6,057,280</u>	<u>11.44</u>
 Total	 <u>\$ 52,927,970</u>	 <u>100.00</u>	 <u>\$ 52,927,970</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 50.33		 \$ 57.76	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 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	
Taxes	\$ 1,771,858
Accounts	6,984
Intergovernmental	<u>26,441</u>
Total	<u>\$ 1,805,283</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</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	109,761	(131,784)	1,073,713
Vehicles	488,089	88,940	-	577,029
Total capital assets, being depreciated	<u>29,056,603</u>	<u>198,701</u>	<u>(131,784)</u>	<u>29,123,520</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(276,823)	(25,238)	-	(302,061)
Building and improvements	(3,420,157)	(654,344)	-	(4,074,501)
Furniture and equipment	(524,684)	(55,710)	61,499	(518,895)
Vehicles	(253,054)	(27,997)	-	(281,051)
Total accumulated depreciation	<u>(4,474,718)</u>	<u>(763,289)</u>	<u>61,499</u>	<u>(5,176,508)</u>
Governmental activities capital assets, net	<u>\$ 24,789,260</u>	<u>\$ (564,588)</u>	<u>\$ (70,285)</u>	<u>\$ 24,154,387</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 517,216
Special	35,646
Vocational	7,535

Support Services:

Pupil	8,335
Instructional Staff	29,152
Administration	26,200
Business	2,195
Operations and Maintenance	46,588
Pupil Transportation	27,277
Extracurricular Activities	13,001
Food Service Operations	<u>50,144</u>
Total depreciation expense	<u>\$ 763,289</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2006, the District entered into a capitalized lease with GE Capital for copier equipment. This lease agreement 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 copier equipment have been capitalized in the amount of \$109,761. 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. The District paid \$73,406 in principal payments for early termination of the capital lease reported in the prior year. Principal payments for the new capital lease in fiscal year 2006 totaled \$6,338 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, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 26,629
2008	26,629
2009	26,629
2010	26,628
2011	<u>17,752</u>
Total minimum lease payments	124,267
Less amount representing interest	<u>(20,844)</u>
Total	<u>\$ 103,423</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/05	Additions	Reductions	Balance Outstanding 06/30/06	Amounts Due in One Year
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Energy conservation bonds	5.50%	\$ 57,615	\$ -	\$ (57,615)	\$ -	\$ -
Construction bonds	5.35%	<u>772,334</u>	<u>-</u>	<u>(31,730)</u>	<u>740,604</u>	<u>33,427</u>
Total general obligation bonds payable		<u>\$ 829,949</u>	<u>\$ -</u>	<u>\$ (89,345)</u>	<u>\$ 740,604</u>	<u>\$ 33,427</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		\$ 73,406	\$ 109,761	\$ (79,744)	\$ 103,423	\$ 19,043
Compensated absences		<u>545,492</u>	<u>316,747</u>	<u>(265,618)</u>	<u>596,621</u>	<u>32,384</u>
Total other long-term obligations		<u>\$ 618,898</u>	<u>\$ 426,508</u>	<u>\$ (345,362)</u>	<u>\$ 700,044</u>	<u>\$ 51,427</u>
Total governmental activities		<u>\$ 1,448,847</u>	<u>\$ 426,508</u>	<u>\$ (434,707)</u>	<u>\$ 1,440,648</u>	<u>\$ 84,854</u>

Energy Conservation Bonds: The District issued energy conservation bonds during fiscal year 1998. These bonds were completely retired during fiscal year 2006.

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 nonmajor governmental 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, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2006, are as follows:

<u>Fiscal Year</u>	<u>Classroom Facilities Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	33,427	38,728	72,155
2008	35,215	36,892	72,107
2009	37,100	34,958	72,058
2010	39,084	32,920	72,004
2011	41,175	30,773	71,948
2012 - 2016	241,374	117,416	358,790
2017 - 2021	<u>313,229</u>	<u>43,639</u>	<u>356,868</u>
Total	<u>\$ 740,604</u>	<u>\$ 335,326</u>	<u>\$ 1,075,930</u>

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, 2006 are a voted debt margin of \$4,083,268 (including available funds of \$60,355) and an unvoted debt margin of \$52,928.

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, 2006

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District participates in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 14 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 2006, 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 2006), 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, 2006**

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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. That 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 (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$99,785, \$100,836, and \$93,271; 49.72 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 – DEFINED BENEFIT PENSION PLANS – (Continued)

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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$515,480, \$514,177 and \$505,478; 84.59 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$654 made by the District and \$623 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,652 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$51,168 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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:

	<u>General Fund</u>
Budget basis	\$ (99,764)
Net adjustment for revenue accruals	54,044
Net adjustment for expenditure accruals	(838)
Net adjustment for other sources/uses	58,224
Adjustment for encumbrances	35,690
GAAP basis	\$ 47,356

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.

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. Debt

The Ohio School Facilities Commission (the “Commission”) was made aware that the District authorized \$634,519 out of construction project funds without the consent of the Architect, Construction Manager, or Commission. The Commission is in the process of evaluating whether we can ratify any or all of the expenditures as related to the construction project. At this time, it is not determinable whether the District will sustain a liability related to this matter, therefore, in accordance with FASB Statement No. 5, “Accounting or Contingencies,” a liability has not been reported in the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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. The set-aside cash balance as of June 30, 2005 has been restated. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Restated set-aside cash balance as of June 30, 2005	\$ 5,744	\$ -
Current year set-aside requirement	133,179	133,179
Qualifying disbursements	<u>(118,230)</u>	<u>(168,427)</u>
Total	<u>\$ 20,693</u>	<u>\$ (35,248)</u>
Balance carried forward to FY 2007	<u>\$ 20,693</u>	<u>\$ -</u>

In addition to the above statutory reserves, the District has \$12,379 restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for school bus purchases	\$ 12,379
Amount restricted for textbooks	<u>20,693</u>
Total restricted assets	<u>\$ 33,072</u>

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.

WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Grantor/ <i>Pass-Through/ Program Title</i>	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		\$22,188		\$18,020
National School Breakfast Program	045666-05-PU 2006	10.553	55,588		55,588	
National School Lunch Program	045666-LL-P4 2006	10.555	183,083		183,083	
Total U.S.Department of Agriculture-Nutrition Cluster			<u>238,671</u>	<u>22,188</u>	<u>238,671</u>	<u>18,020</u>
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- C1S1-2005 045666-C1S1-2006	84.010 84.010	678 <u>328,994</u>		42,376 <u>325,506</u>	
Total Title 1 Grants to Local Educational Agencies			<u>329,672</u>		<u>367,882</u>	
Special Education Cluster:						
Special Education-Grants to States (IDEA Part B)	045666-6BEF-2005 045666-6BEF-2006	84.027 84.027	275,760 <u>275,760</u>		17,620 <u>275,760</u>	
Total Special Education-Grants to States			<u>275,760</u>		<u>293,380</u>	
Special Education-Preschool Grant	045666-PGS1-2005 045666-PGS1-2006	84.173 84.173	466 <u>9,854</u>		1,300 <u>9,384</u>	
Total Special Education-Preschool Grant			<u>10,320</u>		<u>10,684</u>	
Total Special Education Cluster			<u>286,080</u>		<u>304,064</u>	
Impact Aid	045666-S041A-2006	84.041	80,154		80,154	
Safe and Drug-Free Schools and Communities-State Grants	045666-DRS1-2005 045666-DRS1-2006	84.186 84.186	1,830 <u>4,589</u>		2,180 <u>4,304</u>	
Total Safe and Drug-Free Schools and Communities			<u>6,419</u>		<u>6,484</u>	
Innovative Education Program Strategies	045666-C2S1-2006	84.298	2,965		3,062	
Technology Literacy Challenge Fund Grant	045666-TF51-2005 045666-TF51-2006	84.318 84.318	-523 <u>5,230</u>		154 <u>5,230</u>	
Total Technology Literacy Challenge Fund Grant			<u>4,707</u>		<u>5,384</u>	
Improving Teacher Quality	045666-TR-S1-2005 045666-TR-S1-2006	84.367 84.367	9,276 <u>69,190</u>		9,572 <u>69,190</u>	
Total Improving Teacher Quality			<u>78,466</u>		<u>78,762</u>	
Total U.S. Department of Education			<u>458,791</u>		<u>477,910</u>	
U.S. DEPARTMENT OF HUMAN SERVICES						
<i>Passed through Ohio Department of MR/DD</i>						
State Children's Insurance Program (SCHIP)		93.767	1,316		1,316	
Medical Assistance Program (CAFS)		93.778	<u>33,239</u>		<u>33,239</u>	
Total U.S. Department of Human Services			<u>34,555</u>		<u>34,555</u>	
Total Federal Financial Assistance			<u>\$732,017</u>	<u>\$22,188</u>	<u>\$751,136</u>	<u>\$18,020</u>

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, 2006**

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

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - 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.



Mary Taylor, CPA

Auditor of State

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

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 Exempt Village School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion 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*. In a separate letter to the District's management dated March 1, 2007, we reported matters related to noncompliance we deemed immaterial.

Windham Exempted Village School District
Portage County
Independent Accountants' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by Government Auditing Standards
Page 2

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 1, 2007



Mary Taylor, CPA

Auditor of State

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

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 Windham Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Windham Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

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.

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www.auditor.state.oh.us

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 1, 2007

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

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):	Title I Part A, CFDA #84.010
<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 to report
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A – No finding to report
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Mary Taylor, CPA
Auditor of State

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
MAY 29, 2007**