



**Auditor of State  
Betty Montgomery**



**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Windham Exempted Village School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Windham Exempted Village School District, Portage County, Ohio, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof 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 19.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

January 28, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$1,056,016 which represents a 4.05% decrease from 2002.
- General revenues accounted for \$7,440,519 in revenue or 81.32% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,709,237 or 18.68% of total revenues of \$9,149,756.
- The District had \$10,205,772 in expenses related to governmental activities; only \$1,709,237 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,440,519 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 \$7,562,803 in revenues and other financing sources and \$8,206,978 in expenditures and other financing uses. The classroom facilities fund had \$171,262 in revenues and \$163,543 in expenditures. During fiscal 2003, the general fund's fund balance decreased \$646,453 from \$17,429 to \$(629,024) and the classroom facilities fund balance increased \$7,719 from \$824,835 to \$832,554.

**Using the Basic Financial Statements (BFS)**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

***Statement of Net Assets and the Statement of Activities – (Continued)***

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.

**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* account, 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.

***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 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Reporting the District's Most Significant Funds – (Continued)**

The table below provides a summary of the District's net assets for 2003.

	<u>Net Assets</u>
	<u>Governmental Activities 2003</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 2,898,923
Capital assets	<u>26,377,138</u>
Total assets	<u>29,276,061</u>
<b><u>Liabilities</u></b>	
Current liabilities	2,450,428
Long-term liabilities	<u>1,840,419</u>
Total liabilities	<u>4,290,847</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	25,181,513
Restrict	1,010,415
Unrestricted	<u>(1,206,714)</u>
Total net assets	<u>\$ 24,985,214</u>

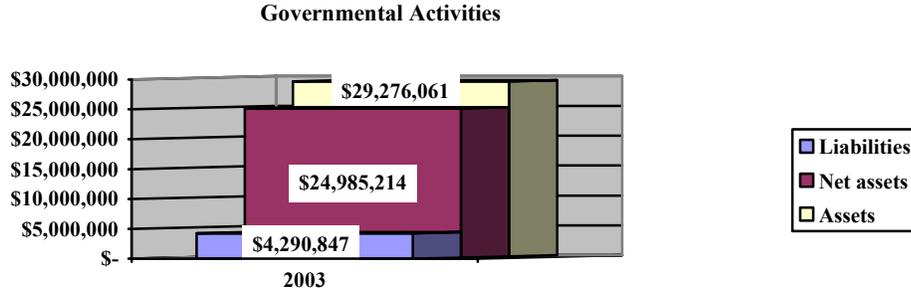
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$24,985,214. At year-end, restricted net assets were \$1,010,415, which are subject to external restriction.

At year-end, capital assets represented 90.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$25,181,513. 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, 2003  
UNAUDITED  
(Continued)**

**Reporting the District's Most Significant Funds – (Continued)**



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<b>Change in Net Assets</b>
<u>Revenues</u>	<u>Governmental Activities 2003</u>
Program revenues:	
Charges for services and sales	\$ 380,960
Operating grants and contributions	1,145,896
Capital grants and contributions	182,381
General revenues:	
Property taxes	1,249,472
Grants and entitlements	6,062,677
Investment earnings	31,054
Other	<u>97,316</u>
Total revenues	<u>9,149,756</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Reporting the District's Most Significant Funds – (Continued)**

<u>Expenses</u>	<u>Governmental Activities 2003</u>
Program expenses:	
Instruction:	
Regular	\$ 4,412,049
Special	1,177,982
Vocational	153,131
Other	36,451
Support services:	
Pupil	611,866
Instructional staff	472,122
Board of education	37,235
Administration	769,032
Fiscal	196,043
Business	61,176
Operations and maintenance	1,261,014
Pupil transportation	333,924
Central	6,285
Operations of non-instructional services	7,283
Food service operations	401,816
Extracurricular activities	205,052
Interest and fiscal charges	63,311
Total expenses	<u>10,205,772</u>
Decrease in net assets	<u>\$ (1,056,016)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased by \$1,056,016. Total governmental expenses of \$10,205,772 were offset by program revenues of \$1,709,237 and general revenues of \$7,440,519. Program revenues supported 16.75% 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 79.92% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Portage County in 2000, the District's tax valuation increased by 12% that year.

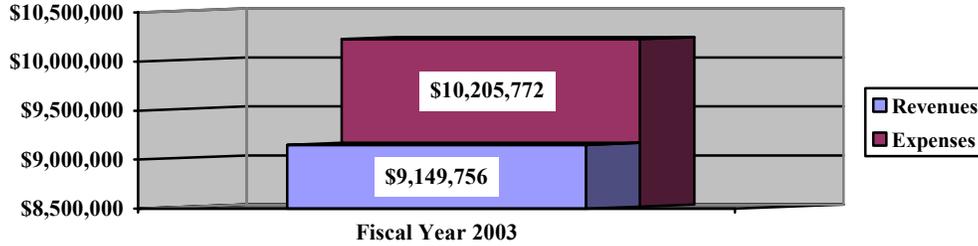
The District's financial condition has improved significantly in recent years, primarily due to increased financial support from the state. State support has increased by 5% over the last two years. Unfortunately, due to enrollment declines these increases are not projected for the future. Future increases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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**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. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities**

	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>		
Instruction:		
Regular	\$ 4,412,049	\$ 3,812,752
Special	1,177,982	940,423
Vocational	153,131	153,131
Other	36,451	36,451
Support services:		
Pupil	611,866	599,365
Instructional staff	472,122	309,442
Board of education	37,235	37,235
Administration	769,032	695,380
Fiscal	196,043	196,043
Business	61,176	21,798
Operations and maintenance	1,261,014	1,090,133
Pupil transportation	333,924	333,924
Central	6,285	1,285
Operations of non-instructional services	7,283	7,283
Food service operations	401,816	55,145
Extracurricular activities	205,052	143,434
Interest and fiscal charges	63,311	63,311
<b>Total expenses</b>	<b>\$ 10,205,772</b>	<b>\$ 8,496,535</b>

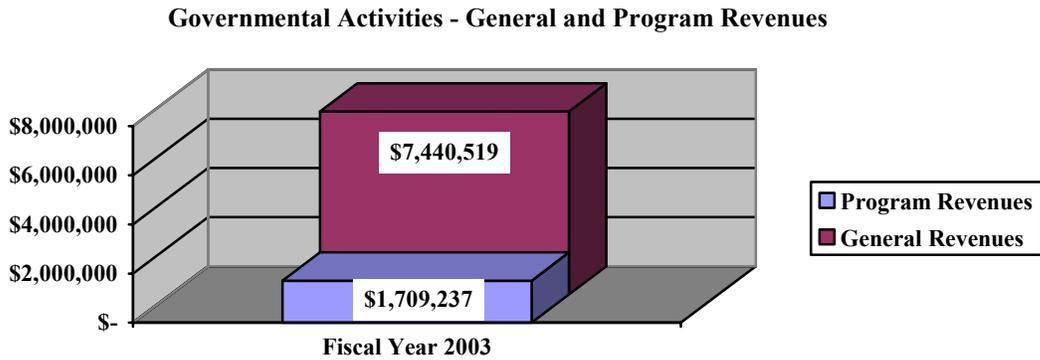
**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Governmental Activities – (Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 85.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.25%. 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 year 2003.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$357,188, which is lower than last year's total of \$1,064,967. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Restated Fund Balance <u>June 30, 2002</u>	Increase <u>Decrease</u>
General	\$ (629,024)	\$ 17,429	\$ (646,453)
Classroom Facilities	832,554	824,835	7,719
Other Governmental	<u>153,658</u>	<u>222,703</u>	<u>(69,045)</u>
Total	<u>\$ 357,188</u>	<u>\$ 1,064,967</u>	<u>\$ (707,779)</u>

**General Fund**

The District's general fund balance decreased \$646,453 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to expenditure increases primarily from an increase in the cost of health and retirement benefits offsetting the growth in revenues. 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, 2003  
UNAUDITED  
(Continued)**

**The District's Funds – (Continued)**

	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 980,014	\$ 910,286	7.66%
Tuition	171,285	-	100.00%
Earnings on investments	24,389	77,911	(68.70%)
Intergovernmental	6,032,881	5,569,800	8.31%
Other revenues	<u>18,603</u>	<u>37,690</u>	(50.64%)
Total	<u>\$ 7,227,172</u>	<u>\$ 6,595,687</u>	9.57%
<b><u>Expenditures</u></b>			
Instruction	\$ 4,664,780	\$ 4,374,797	6.63%
Support services	3,131,315	3,272,203	(4.31%)
Extracurricular activities	138,724	149,242	(7.05%)
Capital outlay	131,784	-	(100.00%)
Debt service	<u>37,437</u>	<u>38,058</u>	(1.63%)
Total	<u>\$ 8,104,040</u>	<u>\$ 7,834,300</u>	3.44%

**Classroom Facilities Fund**

The District's Classroom Facilities capital projects fund balance increased \$7,719. The school facilities project was completed during the previous year and the District was making final payments during the current year.

	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Earnings on investments	\$ 381	\$ 22,944	(98.34%)
Intergovernmental	<u>170,881</u>	-	100%
Total	<u>\$ 171,262</u>	<u>\$ 22,944</u>	64.8%
<b><u>Expenditures</u></b>			
Facilities acquisition and construction	<u>\$ 163,543</u>	<u>\$ 2,293,137</u>	(92.87%)
Total	<u>\$ 163,543</u>	<u>\$ 2,293,137</u>	(92.87%)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Classroom Facilities Fund – (Continued)**

***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 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$7,673,662, which approximates the original budgeted revenues estimate of \$7,801,233. Actual revenues and other financing sources for fiscal 2003 was \$7,670,788. This represents a \$2,874 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$8,660,598 were decreased to \$8,434,032 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$8,362,025, which was \$72,007 less than the final budget appropriations. The decreases in appropriations were caused by the District's worst case scenario budgeting method in the original budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2003, the District had \$26,377,138 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 2003 balances compared to the restated balance in 2002:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 207,375	\$ 207,375
Land improvements	799,830	825,474
Building and improvements	24,327,411	24,975,490
Furniture and equipment	745,417	713,743
Vehicles	<u>297,105</u>	<u>242,384</u>
Total	<u>\$ 26,377,138</u>	<u>\$ 26,964,466</u>

The primary decrease occurred in building improvements, which was due to the increase in threshold and other adjustments to fixed assets. The District also acquired \$82,322 in new vehicles during fiscal 2003. Total additions to capital assets for 2003 were \$219,866 and total disposals were \$30,127 (net of accumulated depreciation). The overall decrease in capital assets of \$587,328 is primarily due to the recording of \$777,067 in depreciation expense for fiscal 2003.

***Debt Administration***

At June 30, 2003, the District had \$1,034,976 in general obligation bonds outstanding. Of this total, \$120,298 is due within one year and \$914,678 is due within greater than one year. The following table summarizes the bonds outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration – (Continued)**

**Outstanding Debt, at Year End**

	Governmental Activities 2003	Governmental Activities 2002
General obligation bonds:		
Energy conservation bonds	\$ 203,935	\$ 290,863
Construction bonds	831,041	858,178
Total	\$ 1,034,976	\$ 1,149,041

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

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

At June 30, 2003, the District's overall legal debt margin was \$3,351,053 with an unvoted debt margin of \$45,933, and an energy conservation debt margin of \$209,460. The District maintains an A-1 bond rating.

**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 the Auditor of State's Office conducted a Performance Audit during FY2003. With the help of these agencies, the District has made numerous cuts and continues to examine the operating procedures for additional cost saving measures.

Another challenge is the renewal of the District's emergency tax levy in November of 2003. The District currently projects sufficient operating revenue to meet operating expenses through fiscal year 2005. The District's operating expenses have exceeded operating revenues for the past three years and the District struggles to reestablish a cash balance. The emergency tax levy generates \$200,000 each fiscal year. If the tax is not renewed in 2004, the District will have to make dramatic cuts in operating expenditures to make up this shortfall in 2005.

The next challenge facing the District is the projected decline in enrollment over the next several years. These declines impact our state funding as the District no longer receives state funding based on a rolling three-year average of student enrollment, but at the current year. By basing the state funding on current year enrollment, the District will see a sharp decline in state funding in FY04 and beyond.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Current Financial Related Activity – (Continued)**

Since the District relies on the state for approximately 81% of the general operating revenues, the largest challenge facing the District is the future of state funding. 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 district 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 currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

All of the District's financial abilities will be needed to meet the financial challenges of the future.

**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 Tracy Knauer, Treasurer of Windham Exempted Village School District at 9530 Bauer Avenue, Windham, Ohio 44288.

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**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2003**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,264,051
Cash in segregated accounts . . . . .	86,607
Receivables:	
Taxes . . . . .	1,385,283
Accounts . . . . .	52,389
Intergovernmental . . . . .	76,283
Prepayments . . . . .	6,507
Materials and supplies inventory. . . . .	27,803
Capital assets:	
Land . . . . .	207,375
Depreciable capital assets, net . . . . .	26,169,763
Total capital assets. . . . .	26,377,138
 Total assets. . . . .	 29,276,061
 <b>Liabilities:</b>	
Accounts payable. . . . .	39,505
Accrued wages and benefits . . . . .	879,003
Pension obligation payable. . . . .	212,281
Intergovernmental payable . . . . .	31,630
Deferred revenue . . . . .	1,273,565
Accrued interest payable . . . . .	14,444
Long-term liabilities:	
Due within one year. . . . .	259,730
Due in more than one year . . . . .	1,580,689
Total liabilities. . . . .	4,290,847
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	25,181,513
Restricted for:	
Capital projects . . . . .	832,554
Debt service. . . . .	33,699
Other purposes . . . . .	144,162
Unrestricted (deficit) . . . . .	(1,206,714)
 Total net assets . . . . .	 \$ 24,985,214

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,412,049	\$ 180,752	\$ 407,045	\$ 11,500	\$ (3,812,752)
Special . . . . .	1,177,982	-	237,559	-	(940,423)
Vocational . . . . .	153,131	-	-	-	(153,131)
Other . . . . .	36,451	-	-	-	(36,451)
Support services:					
Pupil . . . . .	611,866	-	12,501	-	(599,365)
Instructional staff . . . . .	472,122	-	162,680	-	(309,442)
Board of education . . . . .	37,235	-	-	-	(37,235)
Administration . . . . .	769,032	-	73,652	-	(695,380)
Fiscal . . . . .	196,043	-	-	-	(196,043)
Business . . . . .	61,176	-	39,378	-	(21,798)
Operations and maintenance . . . . .	1,261,014	-	-	170,881	(1,090,133)
Pupil transportation . . . . .	333,924	-	-	-	(333,924)
Central . . . . .	6,285	-	5,000	-	(1,285)
Operation of non-instructional services . . . . .					
	7,283	-	-	-	(7,283)
Extracurricular activities . . . . .	205,052	58,648	2,970	-	(143,434)
Food service operations . . . . .	401,816	141,560	205,111	-	(55,145)
Interest and fiscal charges . . . . .	63,311	-	-	-	(63,311)
Totals . . . . .	<u>\$ 10,205,772</u>	<u>\$ 380,960</u>	<u>\$ 1,145,896</u>	<u>\$ 182,381</u>	<u>(8,496,535)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	987,184
Debt service . . . . .	64,856
Capital projects . . . . .	197,432
Grants and entitlements not restricted to specific programs . . . . .	6,062,677
Investment earnings . . . . .	31,054
Miscellaneous . . . . .	97,316
Total general revenues . . . . .	<u>7,440,519</u>
Change in net assets . . . . .	(1,056,016)
Net assets at beginning of year . . . . .	26,041,230
Net assets at end of year . . . . .	<u>\$ 24,985,214</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 244,059	\$ 841,209	\$ 166,351	\$ 1,251,619
Investments . . . . .	-	-	86,607	86,607
Receivables:				
Taxes . . . . .	1,088,918	-	296,365	1,385,283
Accounts . . . . .	51,778	-	611	52,389
Intergovernmental . . . . .	-	-	76,283	76,283
Interfund loans . . . . .	46,305	-	-	46,305
Prepayments . . . . .	6,507	-	-	6,507
Materials and supplies inventory . . . . .	386	-	27,417	27,803
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	12,432	-	-	12,432
<b>Total assets . . . . .</b>	<b>\$ 1,450,385</b>	<b>\$ 841,209</b>	<b>\$ 653,634</b>	<b>\$ 2,945,228</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 29,195	\$ 8,655	\$ 1,655	\$ 39,505
Accrued wages and benefits . . . . .	818,809	-	60,194	879,003
Compensated absences payable . . . . .	36,729	-	38,212	74,941
Pension obligation payable . . . . .	122,012	-	8,140	130,152
Intergovernmental payable . . . . .	28,033	-	3,597	31,630
Interfund loan payable . . . . .	-	-	46,305	46,305
Deferred revenue . . . . .	1,044,631	-	341,873	1,386,504
<b>Total liabilities . . . . .</b>	<b>2,079,409</b>	<b>8,655</b>	<b>499,976</b>	<b>2,588,040</b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	70,982	21,512	9,172	101,666
Reserved for bus purchases . . . . .	12,432	-	-	12,432
Reserved for materials and supplies inventory . . . . .	386	-	27,417	27,803
Reserved for property tax unavailable for appropriation . . . . .	44,287	-	11,572	55,859
Reserved for prepayments . . . . .	6,507	-	-	6,507
Reserved for debt service . . . . .	-	-	45,276	45,276
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	(763,618)	-	-	(763,618)
Special revenue funds . . . . .	-	-	60,221	60,221
Capital projects funds . . . . .	-	811,042	-	811,042
<b>Total fund balances . . . . .</b>	<b>(629,024)</b>	<b>832,554</b>	<b>153,658</b>	<b>357,188</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 1,450,385</b>	<b>\$ 841,209</b>	<b>\$ 653,634</b>	<b>\$ 2,945,228</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

<b>Total governmental fund balances</b>		\$	357,188
<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.			26,377,138
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	55,859	
Intergovernmental revenue		<u>57,080</u>	
Total			112,939
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		831,041	
Energy conservation bonds		203,935	
Compensated absences		569,853	
Pension obligation payable		82,129	
Capital lease obligation		160,649	
Accrued interest payable		<u>14,444</u>	
Total			<u>(1,862,051)</u>
<b>Net assets of governmental activities</b>		\$	<u><u>24,985,214</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 980,014	\$ -	\$ 262,977	\$ 1,242,991
Tuition . . . . .	171,285	-	-	171,285
Charges for services . . . . .	-	-	140,401	140,401
Earnings on investments . . . . .	24,389	381	6,284	31,054
Extracurricular . . . . .	-	-	128,879	128,879
Other local revenues . . . . .	18,603	-	23,737	42,340
Other revenues . . . . .	-	-	1,296	1,296
Intergovernmental - State . . . . .	6,006,964	170,881	505,392	6,683,237
Intergovernmental - Federal . . . . .	25,917	-	599,103	625,020
Total revenues . . . . .	<u>7,227,172</u>	<u>171,262</u>	<u>1,668,069</u>	<u>9,066,503</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,510,292	-	440,323	3,950,615
Special . . . . .	973,927	-	208,893	1,182,820
Vocational . . . . .	144,110	-	-	144,110
Other . . . . .	36,451	-	-	36,451
Support Services:				
Pupil . . . . .	606,468	-	16,065	622,533
Instructional staff . . . . .	271,287	-	163,501	434,788
Board of education . . . . .	37,235	-	-	37,235
Administration . . . . .	630,884	-	101,334	732,218
Fiscal . . . . .	194,095	-	5,158	199,253
Business . . . . .	14,871	-	46,305	61,176
Operations and maintenance . . . . .	1,014,851	-	81,554	1,096,405
Pupil transportation . . . . .	361,216	-	12,503	373,719
Central . . . . .	408	-	5,877	6,285
Food service operations . . . . .	-	-	348,900	348,900
Extracurricular activities . . . . .	138,724	-	53,709	192,433
Facilities acquisition and construction . . . . .	-	163,543	168	163,711
Capital outlay . . . . .	131,784	-	-	131,784
Debt service:				
Principal retirement . . . . .	30,166	-	114,065	144,231
Interest and fiscal charges . . . . .	7,271	-	61,197	68,468
Total expenditures . . . . .	<u>8,104,040</u>	<u>163,543</u>	<u>1,659,552</u>	<u>9,927,135</u>
Excess of revenues over expenditures . . . . .	<u>(876,868)</u>	<u>7,719</u>	<u>8,517</u>	<u>(860,632)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	203,582	-	102,938	306,520
Transfers (out) . . . . .	(102,938)	-	(203,582)	(306,520)
Proceeds from sale of capital assets . . . . .	265	-	8,693	8,958
Proceeds of capital lease transaction . . . . .	131,784	-	-	131,784
Total other financing sources (uses) . . . . .	<u>232,693</u>	<u>-</u>	<u>(91,951)</u>	<u>140,742</u>
Net change in fund balances . . . . .	(644,175)	7,719	(83,434)	(719,890)
<b>Fund balances at beginning of year</b>				
(restated) . . . . .	17,429	824,835	222,703	1,064,967
<b>Increase (decrease) in reserve for inventory.</b>	(2,278)	-	14,389	12,111
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (629,024)</u>	<u>\$ 832,554</u>	<u>\$ 153,658</u>	<u>\$ 357,188</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

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, 2003

<b>Net change in fund balances - total governmental funds</b>	\$	(719,890)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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. This is the amount by which capital outlays exceeds depreciation expense in the current period.		(557,201)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(30,127)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		12,111
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		63,561
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		144,231
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.		(131,784)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		5,157
Some expenses reported in the statement of activities, such as compensated absences and pension obligations do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		157,926
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>(1,056,016)</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

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, 2003

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 925,504	\$ 953,383	\$ 953,383	\$ -
Tuition. . . . .	175,668	171,395	171,286	(109)
Earnings on investments. . . . .	25,623	25,000	24,389	(611)
Other local revenues. . . . .	4,699	4,585	4,333	(252)
Intergovernmental - State . . . . .	6,157,537	6,007,745	6,006,964	(781)
Intergovernmental - Federal. . . . .	26,605	25,958	25,917	(41)
Total revenues. . . . .	<u>7,315,637</u>	<u>7,188,066</u>	<u>7,186,272</u>	<u>(1,794)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,571,809	3,474,300	3,464,461	9,839
Special. . . . .	976,938	950,268	948,059	2,209
Vocational. . . . .	156,805	152,524	151,494	1,030
Other . . . . .	38,038	37,000	36,451	549
Support Services:				
Pupil. . . . .	622,543	605,548	600,633	4,915
Instructional staff . . . . .	289,201	281,306	275,174	6,132
Board of education . . . . .	42,271	41,117	39,616	1,501
Administration. . . . .	686,286	667,551	652,871	14,680
Fiscal . . . . .	204,092	198,520	194,402	4,118
Business . . . . .	25,413	24,719	24,170	549
Operations and maintenance. . . . .	1,098,822	1,068,825	1,053,961	14,864
Pupil transportation . . . . .	433,701	421,861	412,933	8,928
Central. . . . .	925	900	801	99
Extracurricular activities. . . . .	152,432	148,271	145,679	2,592
Total expenditures . . . . .	<u>8,299,276</u>	<u>8,072,710</u>	<u>8,000,705</u>	<u>72,005</u>
Excess of revenues over expenditures. . . . .	<u>(983,639)</u>	<u>(884,644)</u>	<u>(814,433)</u>	<u>70,211</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	34,000	34,000	33,984	(16)
Transfers in . . . . .	415,769	415,769	415,658	(111)
Transfers (out) . . . . .	(315,017)	(315,017)	(315,015)	2
Advances in. . . . .	35,562	35,562	34,609	(953)
Advances (out) . . . . .	(46,305)	(46,305)	(46,305)	-
Proceeds from sale of capital assets. . . . .	265	265	265	-
Total other financing sources (uses) . . . . .	<u>124,274</u>	<u>124,274</u>	<u>123,196</u>	<u>(1,078)</u>
Net change in fund balance . . . . .	(859,365)	(760,370)	(691,237)	69,133
<b>Fund balance at beginning of year . . . . .</b>	753,071	753,071	753,071	-
<b>Prior year encumbrances appropriated. . . . .</b>	99,415	99,415	99,415	-
<b>Fund balances at end of year . . . . .</b>	<u>\$ (6,879)</u>	<u>\$ 92,116</u>	<u>\$ 161,249</u>	<u>\$ 69,133</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 29,695	\$ 10,080
Investments . . . . .	<u>10,000</u>	<u>-</u>
Total assets . . . . .	<u>39,695</u>	<u>10,080</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	29
Due to students . . . . .	<u>-</u>	<u>10,051</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 10,080</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>39,695</u>	
Total net assets . . . . .	<u>\$ 39,695</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 779
Gifts and contributions . . . . .	11,610
	12,389
Total additions . . . . .	12,389
<b>Deductions:</b>	
Scholarships awarded . . . . .	750
	11,639
Change in net assets . . . . .	11,639
Net assets at beginning of year . . . . .	28,056
	39,695
Net assets at end of year . . . . .	\$ 39,695

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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 465<sup>th</sup> largest by enrollment among the 740 public and community school districts in the state. It currently operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 63 non-certified, 87 certified (including administrative) full-time and part-time employees to provide services to approximately 1,148 students in grades K through 12 and various community groups.

**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". The reporting entity is composed of the primary government, component units and other organization 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 this 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 39<sup>th</sup> 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 possesses its own budgeting and taxing authority. The jointly governed organization was formed for the purpose of providing vocational instruction to juniors and seniors in the participating districts. To obtain financial information, write to the Maplewood Career Center, Doris Hart, who serves as Treasurer, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

*PUBLIC ENTITY RISK POOLS*

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrolment fee to the Plan to cover the costs of administering the program.

**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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 proprietary and 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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. Proprietary and 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, income taxes, grants, entitlements and donation. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

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

**E. Budgets**

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 Commission's 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 statements reflect the amounts in the 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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, including proprietary 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) on the basic financial statements.

During fiscal year 2003, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, and investments in the State Asset Treasury 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 repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2003. 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, 2003.

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 2003 amounted to \$24,389, which includes \$14,379 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 Treasurer'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, 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 fixed assets are recorded at their fair market values as of the date received. During fiscal year 2003, the District increased its capitalization threshold from \$500 to \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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, prepayments, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 2003.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by fund reclassifications and the conversion to the accrual basis of accounting.

***Governmental Activities - Fund Reclassification and Restatement of Fund Balance -*** Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds have been reclassified and are now part of nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassification, the adjustments for interest and tax revenue and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
June 30, 2002	\$ 6,283	\$ 824,835	\$ 270,960	\$ 1,102,078
Fund reclassifications	-	-	(48,257)	(48,257)
Implementation of GASB Interpretation No. 6	<u>11,146</u>	<u>-</u>	<u>-</u>	<u>11,146</u>
Restated fund balance, June 30, 2002	<u>\$ 17,429</u>	<u>\$ 824,835</u>	<u>\$ 222,703</u>	<u>\$ 1,064,967</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 1,064,967
GASB 34 adjustments:	
Long-term (deferred) assets	49,378
Capital assets	26,964,466
Accrued interest payable	(19,601)
Long-term liabilities	(2,017,980)
Governmental activities net assets, June 30, 2002	\$ 26,041,230

**B. Deficit Fund Balances**

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General	\$ 629,024
<u>Nonmajor Funds</u>	
Food Service	67,586
Public School Preschool	2,338
Disadvantaged Pupil Impact Aid	2,232
Ohio Reads	28
Summer Intervention	6
Title I	30,799
Title VI	409
Preschool	32
Title II A	813

These funds complied with Ohio state law, which does not permit a cash basis deficit at 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.

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$120,964 and the bank balance was \$207,723. These balances included \$96,607 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$196,607 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$11,116 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Reported Amount</u>	<u>Fair Value</u>
Not subject to categorization:		
Investment in STAR Ohio	<u>\$ 1,279,469</u>	<u>\$ 1,279,469</u>
Total investments	<u>\$ 1,279,469</u>	<u>\$ 1,279,469</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,303,826	\$ 96,607
Investments of the cash management pool:		
Investment in STAR Ohio	(1,279,469)	1,279,469
Certificate of deposit	<u>96,607</u>	<u>(96,607)</u>
GASB Statement No. 3	<u>\$ 120,964</u>	<u>\$ 1,279,469</u>

**5. INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor special revenue fund	\$ 46,305

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the statement of net assets.

**B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General fund		\$ 102,938
Transfers to General fund from:		
Nonmajor Governmental funds		203,582

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.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2003 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2002. 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.

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, 2003, are available to finance fiscal year 2003 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, 2003 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, 2003 was \$44,287 in the general fund, and \$2,867 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2002, was \$17,656 in the general fund, and \$1,458 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 37,413,460	82.81	\$ 36,531,500	79.53
Public utility personal	2,888,660	6.39	3,297,370	7.18
Tangible personal property	<u>4,879,659</u>	<u>10.80</u>	<u>6,103,920</u>	<u>13.29</u>
Total	<u>\$ 45,181,779</u>	<u>100.00</u>	<u>\$ 45,932,790</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 54.10		\$ 51.16	

**7. RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, internal loans 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:

<b>Governmental Activities</b>	
Property taxes	\$ 1,385,283
Accounts	52,389
Intergovernmental	<u>76,283</u>
Total	<u>\$ 1,513,955</u>

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

**8. CAPITAL ASSETS**

**A.** The capital asset balances of the governmental activities have been restated due to a change in the District's capital asset policy (see Note 2.H. for detail):

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. CAPITAL ASSETS – (Continued)**

	<u>Balance</u> <u>06/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>06/30/02</u>
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 45,044	\$ 162,331	\$ 207,375
Total capital assets, not being depreciated	<u>45,044</u>	<u>162,331</u>	<u>207,375</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,090,310	(64,569)	1,025,741
Building and improvements	29,581,831	(3,141,570)	26,440,261
Furniture and equipment	3,034,205	(2,011,528)	1,022,677
Vehicles	970,948	(471,127)	499,821
Textbooks	346,827	(346,827)	-
Total capital assets, being depreciated	<u>35,024,121</u>	<u>(6,035,621)</u>	<u>28,988,500</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(2,231,409)</u>	<u>(2,231,409)</u>
Governmental activities capital assets, net	<u>\$ 35,069,165</u>	<u>\$ (8,104,699)</u>	<u>\$ 26,964,466</u>

**B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:**

	<u>Restated</u> <u>Balance</u> <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 207,375	\$ -	\$ -	\$ 207,375
<i>Capital assets, being depreciated:</i>				
Land improvements	1,025,741	-	-	1,025,741
Building and improvements	26,440,261	-	-	26,440,261
Furniture and equipment	1,022,677	137,544	(60,340)	1,099,881
Vehicles	499,821	82,322	(60,127)	522,016
Total capital assets, being depreciated	<u>28,988,500</u>	<u>219,866</u>	<u>(120,467)</u>	<u>29,087,899</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(200,267)	(25,644)	-	(225,911)
Building and improvements	(1,464,771)	(648,079)	-	(2,112,850)
Furniture and equipment	(308,934)	(75,743)	30,213	(354,464)
Vehicles	(257,437)	(27,601)	60,127	(224,911)
Total accumulated depreciation	<u>(2,231,409)</u>	<u>(777,067)</u>	<u>90,340</u>	<u>(2,918,136)</u>
Governmental activities capital assets, net	<u>\$ 26,964,466</u>	<u>\$ (557,201)</u>	<u>\$ (30,127)</u>	<u>\$ 26,377,138</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 518,368
Special	35,426
Vocational	7,436
<u>Support Services:</u>	
Pupil	8,281
Instructional Staff	46,498
Administration	32,937
Fiscal	1,757
Operations and Maintenance	35,631
Pupil Transportation	28,000
Community Services	7,283
Extracurricular Activities	12,898
Food Service Operation	<u>42,552</u>
Total depreciation expense	<u>\$ 777,067</u>

**9. CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital fixed assets consisting of office equipment have been capitalized in the amount of \$302,967. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2003 totaled \$30,166 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, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 55,490
2005	47,310
2006	30,948
2007	30,948
2008	<u>18,053</u>
Total minimum lease payments	182,749
Less amount representing interest	<u>(22,100)</u>
Total	<u>\$ 160,649</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. LONG-TERM OBLIGATIONS**

A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$24,372 from \$702,918 to \$727,290 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$70,218 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$45,846 from \$1,981,208 to \$1,935,362. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

	Interest	Restated Balance Outstanding	Additions	Reductions	Balance Outstanding	Amounts Due in
	Rate	06/30/02			06/30/03	One Year
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
Energy conservation bonds	5.50%	\$ 290,863	\$ -	\$ (86,928)	\$ 203,935	\$ 91,709
Construction bonds	5.35%	858,178	-	(27,137)	831,041	28,589
Total general obligation bonds payable		<u>\$ 1,149,041</u>	<u>\$ -</u>	<u>\$ (114,065)</u>	<u>\$ 1,034,976</u>	<u>\$ 120,298</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		\$ 59,031	\$ 131,784	\$ (30,166)	\$ 160,649	\$ 46,070
Compensated absences		<u>727,290</u>	-	(82,496)	<u>644,794</u>	<u>93,362</u>
Total other long-term obligations		<u>\$ 786,321</u>	<u>\$ 131,784</u>	<u>\$ (112,662)</u>	<u>\$ 805,443</u>	<u>\$ 139,432</u>
Total governmental activities		<u>\$ 1,935,362</u>	<u>\$ 131,784</u>	<u>\$ (226,727)</u>	<u>\$ 1,840,419</u>	<u>\$ 259,730</u>

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

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

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

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. LONG-TERM OBLIGATIONS - (Continued)**

**B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2003, are as follows:

<u>Year Ended</u>	<u>Classroom Facilities Bonds</u>			<u>Energy Conservation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 28,589	\$ 43,696	\$ 72,285	\$ 91,709	\$ 11,216	\$ 102,925
2005	30,118	42,126	72,244	54,611	6,173	60,784
2006	31,730	40,471	72,201	57,615	3,169	60,784
2007	33,427	38,728	72,155	-	-	-
2008	35,215	36,892	72,107	-	-	-
2009 - 2013	206,435	153,290	359,725	-	-	-
2014 - 2018	267,892	90,189	358,081	-	-	-
2019 - 2021	<u>197,634</u>	<u>16,227</u>	<u>213,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 831,040</u>	<u>\$ 461,619</u>	<u>\$ 1,292,659</u>	<u>\$ 203,935</u>	<u>\$ 20,558</u>	<u>\$ 224,493</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, 2003 are a voted debt margin of \$3,351,053 (including available funds of \$48,143) and an unvoted debt margin of \$45,933, and an energy conservation debt margin of \$209,460.

**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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**12. RISK MANAGEMENT**

**A. Comprehensive**

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2003, 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
Harcum-Hyre Insurance Agency	General Liability	\$0
Indiana Insurance	Property Insurance	\$1,000

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 2003), 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. RISK MANAGEMENT - (Continued)**

**C. OSBA Group Workers' Compensation Rating Program**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

**13. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$160,892, \$161,108, and \$157,307, respectively; 44.65% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$89,052, represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$570,900, \$592,873, and \$565,926, respectively; 82.41% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$100,468, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$40,779 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$87,890 during the 2003 fiscal year.

**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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**15. BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (691,237)
Net adjustment for revenue accruals	40,900
Net adjustment for expenditure accruals	(198,577)
Net adjustment for other sources/uses	109,497
Adjustment for encumbrances	<u>95,242</u>
GAAP basis	<u>\$ (644,175)</u>

**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. State School Funding Decision**

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

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**16. CONTINGENCIES - (Continued)**

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

**17. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ 9,334	\$ -
Current year set-aside requirement	143,192	143,192
Qualifying disbursements	<u>(166,449)</u>	<u>(209,579)</u>
Total	<u>\$ (13,923)</u>	<u>\$ (66,387)</u>
Balance carried forward to FY 2004	<u>\$ (13,923)</u>	<u>\$ -</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2003 follows:

Amount restricted for school bus purchases	\$ <u>12,432</u>
Total restricted assets	\$ <u><u>12,432</u></u>

**18. CONTRACTUAL COMMITMENTS**

The District had the following contractual commitments outstanding as of June 30, 2003:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Feller Plumbing	\$ 8,655	\$ -	\$ 8,655
AA Samuels	18,756	-	18,756
Coon Restoration	<u>2,481</u>	-	<u>2,481</u>
	<u>\$29,892</u>	<u>\$ -</u>	<u>\$ 29,892</u>

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**19. 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. 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 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; and 6) renegotiated fuel prices.

The performance audit also contained several recommendations that the Board is currently reviewing or in the process of implementing. The first recommendation is the District negotiates a reduction in benefits or requires all employees to pay 10 percent of the monthly premium costs. Second, the District should review and update its current energy conservation policy. Third, the District should explore other options to lower special needs transportation costs.

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass-Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster :</i>						
Food Distribution	None	10.550	\$0	\$19,692	\$0	\$11,501
National School Breakfast Program	045666-05-PU 2003	10.553	32,797		32,797	
National School Lunch Program	045666-LL-P4 2003	10.555	<u>142,133</u>		<u>142,133</u>	
Total U.S.Department of Agriculture-Nutrition Cluster			<u>174,930</u>	<u>19,692</u>	<u>174,930</u>	<u>11,501</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies (Title 1 Part A)	045666- C1S1-2002 045666-C1S1-2003	84.010	3,764 <u>146,185</u>		3,764 <u>140,783</u>	
Total Title 1 Grants to Local Educational Agencies			<u>149,949</u>		<u>144,547</u>	
<i>Special Education Cluster:</i>						
Special Education-(Title VIB Special Education Assistance for Handicapped Children)	045666-6BEF-2002	84.027	1,440		5,121	
Special Education-Grants to States	045666-6BEC-2003	84.027	<u>142,131</u>		<u>141,638</u>	
Total Special Education-Grants to States			<u>143,571</u>		<u>146,759</u>	
Special Education-Preschool Grant	045666-PGS1-2003	84.173	<u>8,072</u>		<u>8,072</u>	
Total Special Education Cluster			<u>151,643</u>		<u>154,831</u>	
Impact Aid	045666-S041A-2003	84.041	23,176		23,176	
Safe and Drug-Free Schools and Communities-State Grants	045666-DRS1-2003	84.186	6,608		6,326	
Innovative Education Program Strategies	045666-C2S1-2003	84.298	5,954		5,954	
Technology Literacy Challenge Fund Grant	045666-TF51-2003	84.318	5,976		4,836	
Title VIR Class Size Reduction	045666-CRS1-2002	84.340	(27)		6,819	
Assisted Technology Infusion Program	045666-AT-S3-2003	84.352	3,726		3,726	
Improving Teacher Quality	045666-TR-S1-2003	84.367	<u>61,697</u>		<u>56,086</u>	
Total U.S. Department of Education			<u>408,702</u>		<u>406,301</u>	
<b>U.S DEPARTMENT OF HUMAN SERVICES</b>						
<i>Passed through Ohio Department of MR/DD</i>						
Student Intervention Reimbursement	045666-2003	93.558	<u>31,709</u>		<u>31,709</u>	
<b>Total Federal Financial Assistance</b>			<u>\$615,341</u>	<u>\$19,692</u>	<u>\$612,940</u>	<u>\$11,501</u>

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B— FOOD DISTRIBUTION**

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 nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

**NOTE C— MATCHING REQUIREMENTS**

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

**NOTE D – REFUNDING OF EXPIRED GRANT MONEY**

Monies from the Title VIR, the Class Size Reduction grant, were returned to the grantor because of the expiration of their periods of availability. The amount of the refund was \$27 and is reflected as a negative receipt on the Schedule of Federal Awards Expenditures.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Windham Exempted Village School District, Portage County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 28, 2004, wherein we noted the District implemented Governmental Accounting Standards Board Statement number 34 and interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we consider the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 28, 2004.

Windham Exempted Village School District  
Portage County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by Government Auditing Standards  
Page2

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

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

**Betty Montgomery**  
Auditor of State

January 28, 2004



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Windham Exempted Village School District, Portage County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

**Internal Control Over Compliance**

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

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

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



**Betty Montgomery**  
Auditor of State

January 28, 2004

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA No. 10.550, 10.553, and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

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

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

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**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 4, 2004**