



Mary Taylor, CPA  
Auditor of State



**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants Report .....	1
Management’s Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund .....	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	21
Notes to the Basic Financial Statements .....	23
Federal Award Expenditures Schedule.....	49
Notes to the Federal Awards Expenditures Schedule .....	50
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards .....	51
Independent Accountants’ Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	53
Schedule of Findings.....	55

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

February 22, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$1,021,447 which represents a 4.50% decrease from 2006.
- General revenues accounted for \$7,182,089 in revenue or 72.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,718,771 or 27.46% of total revenues of \$9,900,860.
- The District had \$10,922,307 in expenses related to governmental activities; only \$2,718,771 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,182,089 were not adequate to provide for these programs.
- The District has one major governmental fund, the general fund. The general fund had \$7,911,564 in revenues and \$8,260,563 in expenditures and other financing uses. During fiscal 2007, the general fund's fund deficit increased \$337,410 from a deficit of \$583,678 to a deficit of \$921,088.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19.

***Reporting the District's Fiduciary Responsibilities***

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**The District as a Whole**

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

	Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 2,679,690	\$ 2,657,242
Capital assets, net	<u>23,372,284</u>	<u>24,154,387</u>
Total assets	<u>26,051,974</u>	<u>26,811,629</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,682,644	2,665,239
Long-term liabilities	<u>1,685,035</u>	<u>1,440,648</u>
Total liabilities	<u>4,367,679</u>	<u>4,105,887</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	22,580,727	23,310,360
Restricted	392,076	417,648
Unrestricted (deficit)	<u>(1,288,508)</u>	<u>(1,022,266)</u>
Total net assets	<u>\$ 21,684,295</u>	<u>\$ 22,705,742</u>

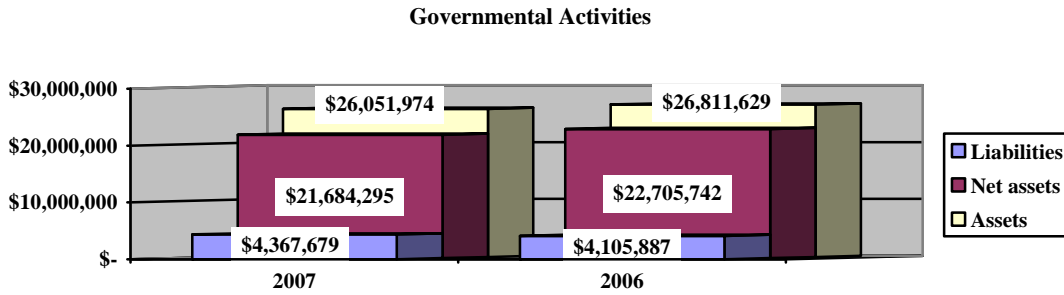
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$21,684,295. At year-end, restricted net assets were \$392,076, which are subject to external restriction on their use.

At year-end, capital assets represented 89.71% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007 were \$22,580,727. 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, 2007  
(UNAUDITED)**

The graph below presents the District's assets, liabilities and net assets for fiscal years 2007 and 2006.



The table below shows the change in net assets for fiscal year 2007 compared to fiscal year 2006.

	<b>Change in Net Assets</b>	
	Governmental Activities 2007	Governmental Activities 2006
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 480,153	\$ 525,831
Operating grants and contributions	2,233,774	1,617,010
Capital grants and contributions	4,844	9,984
General revenues:		
Property taxes	1,710,594	1,573,296
Grants and entitlements	5,370,581	5,944,568
Investment earnings	38,993	49,302
Other	61,921	142,444
<b>Total revenues</b>	<b>9,900,860</b>	<b>9,862,435</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,685,310	4,863,094
Special	1,898,614	1,947,419
Vocational	175,873	180,658
Other	109,270	50,069
Support services:		
Pupil	632,671	473,068
Instructional staff	464,871	514,097
Board of education	39,891	38,667
Administration	709,194	764,626
Fiscal	231,310	242,542
Business	10,575	35,829
Operations and maintenance	912,545	916,411
Pupil transportation	397,229	423,965
Central	26,042	19,948
Operations of non-instructional services:		
Food service operations	370,664	383,004
Extracurricular activities	212,066	203,717
Interest and fiscal charges	46,182	50,402
Total expenses	<u>10,922,307</u>	<u>11,107,516</u>
Change in net assets	(1,021,447)	(1,245,081)
Net assets at beginning of year	<u>22,705,742</u>	<u>23,950,823</u>
Net assets at end of year	<u>\$ 21,684,295</u>	<u>\$ 22,705,742</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,021,447. Total governmental expenses of \$10,922,307 were offset by program revenues of \$2,718,771 and general revenues of \$7,182,089. Program revenues supported 24.89% 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 71.52% of total governmental revenue.

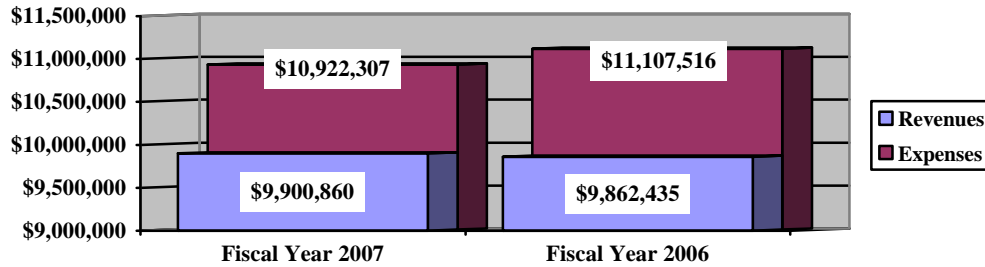
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,869,067 or 62.89% of total governmental expenses for fiscal 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

**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.

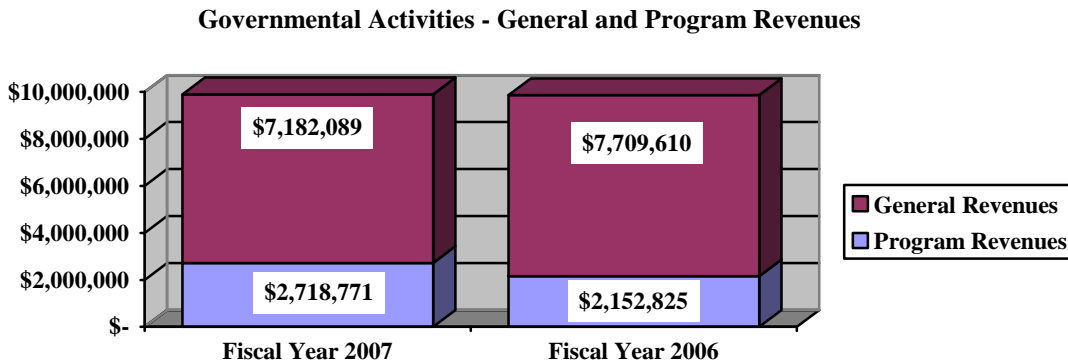
	<b>Governmental Activities</b>			
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,685,310	\$ 3,867,456	\$ 4,863,094	\$ 3,987,889
Special	1,898,614	772,580	1,947,419	1,348,610
Vocational	175,873	150,589	180,658	180,658
Other	109,270	51,619	50,069	41,712
Support services:				
Pupil	632,671	621,600	473,068	452,420
Instructional staff	464,871	373,014	514,097	416,014
Board of education	39,891	39,891	38,667	38,667
Administration	709,194	632,845	764,626	685,624
Fiscal	231,310	231,310	242,542	242,542
Business	10,575	10,575	35,829	26,829
Operations and maintenance	912,545	901,226	916,411	898,912
Pupil transportation	397,229	341,080	423,965	404,630
Central	26,042	12,042	19,948	14,948
Operations of non-instructional services:				
Food service operations	370,664	20,050	383,004	36,506
Extracurricular activities	212,066	131,477	203,717	128,328
Interest and fiscal charges	46,182	46,182	50,402	50,402
<b>Total expenses</b>	<u>\$ 10,922,307</u>	<u>\$ 8,203,536</u>	<u>\$ 11,107,516</u>	<u>\$ 8,954,691</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 70.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.11%. The District's taxpayers as well as unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit of \$542,797, which is greater than last year's fund deficit of \$193,803. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance (Deficit) <u>June 30, 2007</u>	Fund Balance (Deficit) <u>June 30, 2006</u>	<u>(Decrease)</u>
General	\$ (921,088)	\$ (583,678)	\$ (337,410)
Other Governmental	<u>378,291</u>	<u>389,875</u>	<u>(11,584)</u>
Total	<u>\$ (542,797)</u>	<u>\$ (193,803)</u>	<u>\$ (348,994)</u>

**General Fund**

The District's general fund deficit increased \$337,410. The increase in fund deficit can be attributed to increasing expenditures outpacing increasing revenues from 2006 to 2007. 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, 2007  
(UNAUDITED)

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,637,175	\$ 1,446,864	13.15 %
Tuition and fees	236,682	244,801	(3.32) %
Earnings on investments	29,973	35,581	(15.76) %
Intergovernmental	5,941,031	5,932,735	0.14 %
Other revenues	<u>66,703</u>	<u>161,281</u>	(58.64) %
Total	<u>\$ 7,911,564</u>	<u>\$ 7,821,262</u>	1.15 %
<b><u>Expenditures</u></b>			
Instruction	\$ 5,099,038	\$ 4,706,984	8.33 %
Support services	3,009,990	2,785,506	8.06 %
Extracurricular activities	118,997	118,660	0.28 %
Capital outlay	-	109,761	(100.00) %
Debt service	<u>26,629</u>	<u>89,595</u>	(70.28) %
Total	<u>\$ 8,254,654</u>	<u>\$ 7,810,506</u>	5.69 %

Tax revenue increased \$190,311 over the prior fiscal year, which can be attributed to increased assessed property valuations. The decrease in earnings on investments in the general fund is due to more interest being allocated to other funds of the District. The decrease in other revenue can be attributed to a decrease in receipts of revenue from local sources. Instructional expenditures increased \$392,054, which can be attributed to increased wage and benefit costs and to the early retirement incentive offered by the District in fiscal year 2007. Support services expenditures increased \$224,484, which is due to increased wage and benefit costs. Capital outlay and debt service expenditures decreased because the District did not have any new capital lease obligations in the current fiscal year. All other revenue and expenditure items remained consistent with the prior fiscal year.

***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 2007, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$8,434,887, which is greater than the original budgeted revenues estimate of \$8,299,835. Actual revenues and other financing sources for fiscal 2007 was \$8,428,587. This represents a \$6,300 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$8,340,235 were increased to \$8,640,235 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$8,596,881, which was \$43,354 less than the final budget appropriations. The decreases in appropriations were caused by the District's worst case scenario budgeting method in the original budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2007, the District had \$23,372,284 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 2007 balances compared to 2006 balances:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 207,375	\$ 207,375
Land improvements	698,411	723,680
Building and improvements	21,718,826	22,372,536
Furniture and equipment	485,618	554,818
Vehicles	<u>262,054</u>	<u>295,978</u>
<b>Total</b>	<b><u>\$ 23,372,284</u></b>	<b><u>\$ 24,154,387</u></b>

The overall decrease in capital assets is due to depreciation expense of \$780,618 and disposals of \$53,283 exceeding accumulated depreciation on the disposals of \$51,798 for fiscal 2007.

See Note 8 for additional detail on capital assets.

*Debt Administration*

At June 30, 2007, the District had \$791,557 in bonds and a capital lease obligation outstanding. Of this total, \$55,839 is due within one year and \$735,718 is due within greater than one year. The following table summarizes the bonds and lease obligations outstanding:

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
Construction bonds	\$ 707,177	\$ 740,604
Capital lease obligation	<u>84,380</u>	<u>103,423</u>
<b>Total</b>	<b><u>\$ 791,557</u></b>	<b><u>\$ 844,027</u></b>

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 Bond Retirement fund, a nonmajor governmental fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

At June 30, 2007, the District's overall legal debt margin was \$4,065,870 with an unvoted debt margin of \$52,301. The District maintains an A-1 bond rating.

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

**Current Financial Related Activity**

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

The District is currently collecting revenue from two separate emergency levies approved by the voters in 2004 and 2005. The District will seek renewal of these levies within the next two fiscal years. The renewal of these levies will be critical for the District going forward and administration is projecting that the voters will renew both. If one or both of the levies fail to be renewed, administration will be forced to look at additional cost cutting measures and possible staff reductions.

The next challenge facing the District is declining enrollment. The District has been consistently experiencing a decline in enrollment over the past several years. These declines will eventually impact the District's State funding. Administration is hopeful that enrollment declines will level off in future years. The District has taken steps to reduce expenditures, as enrollment declines, by combining administrative positions and offering early retirement incentives to certified staff.

Since the District relies on the State for approximately 76% of the general operating revenues, the largest challenge facing the District is the future of State funding. The passage of the most recent biennial budget bill has again held the District harmless for fiscal years 2008 and 2009. The State will provide the same level of funding as provided in fiscal year 2005. The District can only assume that a hold harmless clause will exist, in some form, when the next biennial budget is passed for fiscal years 2010 and 2011. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what affect, if any, this decision will have on its future State funding and on its financial operations.

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 505,395
Investments. . . . .	153,223
Receivables:	
Taxes . . . . .	1,797,588
Accounts . . . . .	28,847
Intergovernmental . . . . .	170,467
Materials and supplies inventory. . . . .	24,170
Capital assets:	
Land . . . . .	207,375
Depreciable capital assets, net . . . . .	23,164,909
Total capital assets, net . . . . .	23,372,284
 Total assets. . . . .	 26,051,974
 <b>Liabilities:</b>	
Accounts payable. . . . .	17,776
Accrued wages and benefits . . . . .	836,540
Pension obligation payable. . . . .	201,373
Intergovernmental payable . . . . .	68,335
Accrued interest payable . . . . .	2,799
Unearned revenue . . . . .	1,555,821
Long-term liabilities:	
Due within one year. . . . .	397,775
Due in more than one year . . . . .	1,287,260
 Total liabilities . . . . .	 4,367,679
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	22,580,727
Restricted for:	
Capital projects . . . . .	158,728
Debt service. . . . .	70,988
Classroom facilities maintenance . . . . .	37,099
Locally funded programs . . . . .	1,740
State funded programs. . . . .	55,427
Federally funded programs . . . . .	4,376
Student activities . . . . .	46,494
Other purposes . . . . .	17,224
Unrestricted (deficit) . . . . .	(1,288,508)
 Total net assets . . . . .	 \$ 21,684,295

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,685,310	\$ 260,094	\$ 557,760	\$ -	\$ (3,867,456)
Special . . . . .	1,898,614	-	1,126,034	-	(772,580)
Vocational . . . . .	175,873	-	25,284	-	(150,589)
Other . . . . .	109,270	-	57,651	-	(51,619)
Support services:					
Pupil . . . . .	632,671	6,788	4,283	-	(621,600)
Instructional staff . . . . .	464,871	-	91,857	-	(373,014)
Board of education . . . . .	39,891	-	-	-	(39,891)
Administration . . . . .	709,194	36,563	39,786	-	(632,845)
Fiscal . . . . .	231,310	-	-	-	(231,310)
Business . . . . .	10,575	-	-	-	(10,575)
Operations and maintenance . . . . .	912,545	-	11,319	-	(901,226)
Pupil transportation . . . . .	397,229	1,467	49,838	4,844	(341,080)
Central . . . . .	26,042	-	14,000	-	(12,042)
Operation of non-instructional services:					
Food service operations . . . . .	370,664	100,556	250,058	-	(20,050)
Extracurricular activities . . . . .	212,066	74,685	5,904	-	(131,477)
Interest and fiscal charges . . . . .	46,182	-	-	-	(46,182)
<b>Totals . . . . .</b>	<b>\$ 10,922,307</b>	<b>\$ 480,153</b>	<b>\$ 2,233,774</b>	<b>\$ 4,844</b>	<b>(8,203,536)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	1,625,112
Debt service . . . . .	64,744
Special revenue . . . . .	20,738
Grants and entitlements not restricted to specific programs . . . . .	5,370,581
Investment earnings . . . . .	38,993
Miscellaneous . . . . .	61,921
<b>Total general revenues . . . . .</b>	<b>7,182,089</b>
Change in net assets . . . . .	(1,021,447)
<b>Net assets at beginning of year . . . . .</b>	<b>22,705,742</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 21,684,295</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 130,906	\$ 357,265	\$ 488,171
Investments. . . . .	-	153,223	153,223
Receivables:			
Taxes . . . . .	1,709,997	87,591	1,797,588
Accounts . . . . .	28,842	5	28,847
Intergovernmental. . . . .	23,277	147,190	170,467
Materials and supplies inventory. . . . .	18,668	5,502	24,170
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	17,224	-	17,224
 Total assets. . . . .	 <u>\$ 1,928,914</u>	 <u>\$ 750,776</u>	 <u>\$ 2,679,690</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 16,957	\$ 819	\$ 17,776
Accrued wages and benefits . . . . .	648,694	187,846	836,540
Compensated absences payable. . . . .	97,717	-	97,717
Early retirement incentive payable . . . . .	239,283	-	239,283
Pension obligation payable . . . . .	175,760	25,613	201,373
Intergovernmental payable . . . . .	53,406	14,929	68,335
Deferred revenue . . . . .	138,209	67,433	205,642
Unearned revenue . . . . .	1,479,976	75,845	1,555,821
 Total liabilities . . . . .	 <u>2,850,002</u>	 <u>372,485</u>	 <u>3,222,487</u>
<b>Fund Balances:</b>			
Reserved for encumbrances. . . . .	57,254	3,469	60,723
Reserved for bus purchases . . . . .	17,224	-	17,224
Reserved for materials and supplies inventory . . . . .	18,668	5,502	24,170
Reserved for debt service. . . . .	-	62,170	62,170
Reserved for property tax unavailable for appropriation. . . . .	91,812	5,012	96,824
Unreserved, undesignated (deficit), reported in:			
General fund. . . . .	(1,106,046)	-	(1,106,046)
Special revenue funds . . . . .	-	143,410	143,410
Capital projects funds . . . . .	-	158,728	158,728
 Total fund balances (deficit) . . . . .	 <u>(921,088)</u>	 <u>378,291</u>	 <u>(542,797)</u>
 Total liabilities and fund balances . . . . .	 <u>\$ 1,928,914</u>	 <u>\$ 750,776</u>	 <u>\$ 2,679,690</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances (deficit)</b>		\$ (542,797)
<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.		23,372,284
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 144,943	
Intergovernmental revenue	<u>60,699</u>	
Total		205,642
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(2,799)
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	707,177	
Compensated absences	556,478	
Capital lease obligation	<u>84,380</u>	
Total		<u>(1,348,035)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 21,684,295</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 1,637,175	\$ 86,574	\$ 1,723,749
Tuition. . . . .	236,682	-	236,682
Charges for services. . . . .	-	100,556	100,556
Earnings on investments. . . . .	29,973	16,093	46,066
Extracurricular. . . . .	-	137,319	137,319
Classroom materials and fees. . . . .	4,782	-	4,782
Other local revenues . . . . .	61,921	23,118	85,039
Intergovernmental - Intermediate. . . . .	-	746	746
Intergovernmental - State . . . . .	5,880,058	684,152	6,564,210
Intergovernmental - Federal. . . . .	60,973	895,567	956,540
Total revenues. . . . .	<u>7,911,564</u>	<u>1,944,125</u>	<u>9,855,689</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,583,636	562,875	4,146,511
Special. . . . .	1,300,823	545,729	1,846,552
Vocational. . . . .	164,494	-	164,494
Other . . . . .	50,085	57,998	108,083
Support services:			
Pupil. . . . .	592,998	26,231	619,229
Instructional staff . . . . .	376,518	48,559	425,077
Board of education . . . . .	39,458	-	39,458
Administration. . . . .	601,709	78,690	680,399
Fiscal . . . . .	226,107	1,795	227,902
Business . . . . .	6,118	-	6,118
Operations and maintenance. . . . .	804,291	40,981	845,272
Pupil transportation . . . . .	356,941	2,793	359,734
Central. . . . .	5,850	19,909	25,759
Food service operations . . . . .	-	313,117	313,117
Extracurricular activities . . . . .	118,997	77,906	196,903
Facilities acquisition and construction . . . .	-	109,859	109,859
Debt service:			
Principal retirement . . . . .	19,043	33,427	52,470
Interest and fiscal charges . . . . .	7,586	38,728	46,314
Total expenditures . . . . .	<u>8,254,654</u>	<u>1,958,597</u>	<u>10,213,251</u>
Deficiency of revenues under expenditures. . .	<u>(343,090)</u>	<u>(14,472)</u>	<u>(357,562)</u>
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	5,909	5,909
Transfers out . . . . .	(5,909)	-	(5,909)
Total other financing sources (uses) . . . . .	<u>(5,909)</u>	<u>5,909</u>	<u>-</u>
Net change in fund balances . . . . .	(348,999)	(8,563)	(357,562)
<b>Fund balances (deficit) at beginning of beginning of year . . . . .</b>	(583,678)	389,875	(193,803)
<b>Increase (decrease) in reserve for inventory.</b>	11,589	(3,021)	8,568
<b>Fund balances (deficit) at end of year . . .</b>	<u>\$ (921,088)</u>	<u>\$ 378,291</u>	<u>\$ (542,797)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<b>Net change in fund balances - total governmental funds</b>	\$	(357,562)
<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. Depreciation expense exceeds capital outlays in the current period accordingly.		(780,618)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
Capital asset disposals	\$ (53,283)	
Accumulated depreciation on disposals	51,798	
Total	(1,485)	(1,485)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		8,568
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(13,155)	
Intergovernmental	58,326	
Total	45,171	45,171
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		52,470
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		132
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		11,877
<b>Change in net assets of governmental activities</b>	\$	(1,021,447)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,543,757	\$ 1,568,877	\$ 1,633,458	\$ 64,581
Tuition. . . . .	233,353	237,150	236,682	(468)
Earnings on investments. . . . .	27,798	28,250	29,973	1,723
Classroom materials and fees. . . . .	4,649	4,725	4,782	57
Other local revenues. . . . .	69,740	70,875	61,921	(8,954)
Intergovernmental - State . . . . .	5,794,721	5,889,010	5,880,058	(8,952)
Intergovernmental - Federal. . . . .	81,179	82,500	39,885	(42,615)
Total revenues. . . . .	<u>7,755,197</u>	<u>7,881,387</u>	<u>7,886,759</u>	<u>5,372</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,235,800	3,352,193	3,351,212	981
Special. . . . .	1,253,094	1,298,168	1,322,114	(23,946)
Vocational. . . . .	166,426	172,412	172,346	66
Other . . . . .	39,430	40,848	42,347	(1,499)
Support services:				
Pupil. . . . .	544,460	564,044	562,858	1,186
Instructional staff . . . . .	363,200	376,264	376,880	(616)
Board of education . . . . .	40,928	42,400	44,248	(1,848)
Administration. . . . .	567,975	588,405	588,703	(298)
Fiscal . . . . .	217,570	225,397	225,694	(297)
Business . . . . .	11,047	11,444	11,444	-
Operations and maintenance. . . . .	836,179	866,257	870,849	(4,592)
Pupil transportation . . . . .	348,438	360,970	363,951	(2,981)
Central. . . . .	7,380	7,647	5,782	1,865
Extracurricular activities. . . . .	114,549	118,669	117,800	869
Total expenditures . . . . .	<u>7,746,476</u>	<u>8,025,118</u>	<u>8,056,228</u>	<u>(31,110)</u>
Excess of revenues over (under) expenditures. . . . .	<u>8,721</u>	<u>(143,731)</u>	<u>(169,469)</u>	<u>(25,738)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	8,364	8,500	7,084	(1,416)
Transfers in . . . . .	536,274	545,000	534,744	(10,256)
Transfers (out) . . . . .	(593,759)	(615,117)	(540,653)	74,464
Total other financing sources (uses) . . . . .	<u>(49,121)</u>	<u>(61,617)</u>	<u>1,175</u>	<u>62,792</u>
Net change in fund balance . . . . .	(40,400)	(205,348)	(168,294)	37,054
<b>Fund balance at beginning of year . . . . .</b>	209,898	209,898	209,898	-
<b>Prior year encumbrances appropriated . . . . .</b>	35,690	35,690	35,690	-
<b>Fund balances at end of year . . . . .</b>	<u>\$ 205,188</u>	<u>\$ 40,240</u>	<u>\$ 77,294</u>	<u>\$ 37,054</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 12,721
Investments . . . . .	39,989	-
Receivables:		
Accounts . . . . .	-	395
	<hr/>	<hr/>
Total assets . . . . .	39,989	\$ 13,116
	<hr/>	<hr/>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 13,116
	<hr/>	<hr/>
Total liabilities . . . . .	-	\$ 13,116
	<hr/>	<hr/>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	39,989	
	<hr/>	
Total net assets . . . . .	\$ 39,989	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
<b>Additions:</b>		
Interest . . . . .	\$	1,674
Donations. . . . .		300
		<hr/>
Total additions. . . . .		1,974
		<hr/>
<b>Deductions:</b>		
Scholarships awarded . . . . .		2,000
		<hr/>
Change in net assets . . . . .		(26)
<b>Net assets at beginning of year. . . . .</b>		<hr/> 40,015
<b>Net assets at end of year . . . . .</b>	<b>\$</b>	<b><hr/><hr/>39,989</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

The District ranks as the 545<sup>th</sup> largest by enrollment among the 876 public and community school districts in the state. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 40 non-certified, 72 certified (including administrative) full-time and part-time employees to provide services to approximately 813 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark Portage Area Computer Consortium (SPARCC)

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

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

Portage County School Consortium (the "Consortium")

Portage County School Consortium is an insurance group-purchasing consortium made up of fourteen school districts in Columbiana, Portage and Mahoning Counties. All member districts pay an insurance premium directly to the consortium.

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, Michelle Seckman, who serves as Treasurer, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

**B. Fund Accounting**

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

*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 is the District's major governmental fund:

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

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

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, 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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 statement reflect the amounts in the original and final Certificate of Estimated Resources 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.

**F. Cash and Investments**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2007. 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, 2007.

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 2007 amounted to \$29,973, which includes \$18,212 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2007.

**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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**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, 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for bus purchases.

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

**N. 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.

**O. 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 bus purchases. See Note 17 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**P. 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.

**Q. 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 2007.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Funds</u>	
General	\$ 921,088
<u>Nonmajor Funds</u>	
Public School Preschool	23,323
Poverty Aid	72,664
Title VI-B	33,500
Title I	2,569
Drug Free Schools	118
Title II-A	3,844

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$213,433. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$53,223 of the District's bank balance of \$256,138 was exposed to custodial risk as discussed below, while \$202,915 was covered by the Federal Deposit Insurance Corporation.

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

**B. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 497,895	\$ 497,895
	<u>\$ 497,895</u>	<u>\$ 497,895</u>

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 497,895	100.00%
	<u>\$ 497,895</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 213,433
Investments	<u>497,895</u>
Total	<u>\$ 711,328</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 658,618
Private-purpose trust fund	39,989
Agency fund	<u>12,721</u>
Total	<u>\$ 711,328</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	\$ <u>5,909</u>
Total Transfers	<u>\$ 5,909</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 6 - PROPERTY TAXES**

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$91,812 in the general fund, \$1,214 in the Classroom Facilities Maintenance fund, a nonmajor governmental fund, and \$3,798 in the Bond Retirement fund, a nonmajor governmental fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$88,095 in the general fund, \$1,265 in the Classroom Facilities Maintenance fund, a nonmajor governmental fund, and \$4,289 in the Bond Retirement fund, a nonmajor governmental fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 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 unearned revenue.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 43,993,140	83.12	\$ 51,162,530	91.05
Public utility personal	2,877,550	5.44	2,091,930	3.73
Tangible personal property	<u>6,057,280</u>	<u>11.44</u>	<u>2,938,260</u>	<u>5.22</u>
Total	<u>\$ 52,927,970</u>	<u>100.00</u>	<u>\$ 56,192,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$57.76		\$58.10	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental Activities:</b>	
Taxes	\$ 1,797,588
Accounts	28,847
Intergovernmental	<u>170,467</u>
Total	<u>\$ 1,996,902</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS**

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

	Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 207,375	\$ -	\$ -	\$ 207,375
Total capital assets, not being depreciated	<u>207,375</u>	<u>-</u>	<u>-</u>	<u>207,375</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,025,741	-	-	1,025,741
Building and improvements	26,447,037	-	-	26,447,037
Furniture and equipment	1,073,713	-	-	1,073,713
Vehicles	<u>577,029</u>	<u>-</u>	<u>(53,283)</u>	<u>523,746</u>
Total capital assets, being depreciated	<u>29,123,520</u>	<u>-</u>	<u>(53,283)</u>	<u>29,070,237</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(302,061)	(25,269)	-	(327,330)
Building and improvements	(4,074,501)	(653,710)	-	(4,728,211)
Furniture and equipment	(518,895)	(69,200)	-	(588,095)
Vehicles	<u>(281,051)</u>	<u>(32,439)</u>	<u>51,798</u>	<u>(261,692)</u>
Total accumulated depreciation	<u>(5,176,508)</u>	<u>(780,618)</u>	<u>51,798</u>	<u>(5,905,328)</u>
Governmental activities capital assets, net	<u>\$ 24,154,387</u>	<u>\$ (780,618)</u>	<u>\$ (1,485)</u>	<u>\$ 23,372,284</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 519,126
Special	35,646
Vocational	7,535

Support Services:

Pupil	8,335
Instructional Staff	29,152
Administration	26,200
Business	4,390
Operations and Maintenance	55,673
Pupil Transportation	31,416
Extracurricular Activities	13,001
Food Service Operations	<u>50,144</u>
Total depreciation expense	<u>\$ 780,618</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$109,761. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2007 was \$32,928, leaving a current book value of \$76,833. Principal payments for the capital lease in fiscal year 2007 totaled \$19,043 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, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 26,629
2009	26,629
2010	26,628
2011	<u>17,752</u>
Total minimum lease payments	97,638
Less amount representing interest	<u>(13,258)</u>
Total	<u>\$ 84,380</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
Construction bonds	5.35%	\$ 740,604	\$ -	\$ (33,427)	\$ 707,177	\$ 35,215
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		103,423	-	(19,043)	84,380	20,624
Early retirement incentive		-	239,283	-	239,283	239,283
Compensated absences		596,621	116,930	(59,356)	654,195	102,653
Total other long-term obligations		700,044	356,213	(78,399)	977,858	362,560
Total governmental activities		\$ 1,440,648	\$ 356,213	\$ (111,826)	\$ 1,685,035	\$ 397,775

Construction Bonds: The District issued classroom facilities construction bonds during fiscal year 1998. These bonds will be retired from the Bond Retirement fund, a nonmajor governmental 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 Classroom Facilities Maintenance fund, a nonmajor governmental fund.

Compensated Absences and Early Retirement Incentive: Compensated absences and the early retirement incentive will be paid from the fund from which the employee's salaries are paid, which is primarily the general fund.

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

- B. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2007, are as follows:

Fiscal Year	<u>Classroom Facilities Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 35,215	\$ 36,892	\$ 72,107
2009	37,099	34,958	72,057
2010	39,084	32,920	72,004
2011	41,175	30,773	71,948
2012	43,378	28,511	71,889
2013 - 2017	254,288	104,157	358,445
2018 - 2022	256,938	28,385	285,323
Total	<u>\$ 707,177</u>	<u>\$ 296,596</u>	<u>\$ 1,003,773</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$4,065,870 (including available funds of \$65,968) and an unvoted debt margin of \$52,301.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**C. Early Retirement Incentive**

The District participates in an early retirement incentive with STRS Ohio. An employee who is eligible to retire under the requirements of STRS Ohio is also eligible for the early retirement incentive. STRS Ohio calculates the amount for each employee and then bills the District. In fiscal year 2007, six employees took the early retirement incentive.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District participates in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 14 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverages and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. The insurance agreement with the Consortium also provides that the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2007, the District contracted with the following carriers for various insurance coverages, as follows:

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

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

**B. Group Health and Dental Insurance**

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

While all benefit plans are traditionally-funded through common carriers, the Board's group health plan contains provisions for discounted amounts to be remitted to the carrier during the year (90% of the carrier-established premium for fiscal 2007), contingent upon the group's claims experience for the year. While the District has not retained risk for any claims, should the group's claim costs for the year exceed the threshold of the discounted amount remitted to the carrier during the year, the District must remit additional premium, to a maximum of the difference between the discounted premium and the full premium.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$105,277, \$99,785, and \$100,836, respectively; 45.03 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$57,873 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 13 - PENSION PLANS - (Continued)**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$513,874, \$515,480 and \$514,177; 80.91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$98,105 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$0 made by the District and \$171 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$39,529 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the District paid \$51,594 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (168,294)
Net adjustment for revenue accruals	24,805
Net adjustment for expenditure accruals	(269,262)
Net adjustment for other sources/uses	(7,084)
Adjustment for encumbrances	70,836
GAAP basis	\$ (348,999)

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**C. Debt**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2006	\$ 20,693	\$ -
Current year set-aside requirement	132,609	132,609
Qualifying disbursements	<u>(160,540)</u>	<u>(159,761)</u>
Total	<u>\$ (7,238)</u>	<u>\$ (27,152)</u>
Balance carried forward to FY 2008	<u>\$ (7,238)</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook and capital acquisition set aside amounts to below zero. The textbook amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements that reduced the capital acquisition set-aside amount below zero, this amount may not be used to reduce the set-aside requirement for future years.

In addition to the above statutory reserves, the District has \$17,224 restricted for bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2007 follows:

Amount restricted for bus purchases	\$ <u>17,224</u>
Total restricted assets	\$ <u>17,224</u>

**NOTE 18 - FINANCIAL CONDITION**

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

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WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY

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

Federal Grantor/ <i>Pass-Through/</i> 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>						
Food Distribution <i>Nutrition Cluster :</i>	None	10.550		\$22,366		\$18,548
National School Breakfast Program	045666-05PU 2007	10.553	\$42,085		\$42,085	
National School Lunch Program	045666-LLP4 2007	10.555	130,354		130,354	
Total U.S.Department of Agriculture			<u>172,439</u>	<u>22,366</u>	<u>172,439</u>	<u>18,548</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-C1S1-2006 045666-C1S1-2007	84.010 84.010	20,431 <u>272,065</u>		23,918 <u>262,683</u>	
Total Title 1 Grants to Local Educational Agencies			292,496		286,601	
Special Education Cluster: Special Education-Grants to States (IDEA Part B)	045666-6BSF-2007	84.027	259,073		253,358	
Special Education-Preschool Grant	045666-PGS1-2006 045666-PGS1-2007	84.173 84.173	1,207 <u>8,679</u>		1,676 <u>8,448</u>	
Total Special Education-Preschool Grant			9,886		10,124	
Total Special Education Cluster			<u>268,959</u>		<u>263,482</u>	
Impact Aid	045666-S041A-2007	84.041	17,333		17,333	
Safe and Drug-Free Schools and Communities-State Grants	045666-DRS1-2006 045666-DRS1-2007	84.186 84.186	-285 <u>10,303</u>		0 <u>10,303</u>	
Total Safe and Drug-Free Schools and Communities			10,018		10,303	
Innovative Education Program Strategies	045666-C2S1-2007	84.298	1,355		1,355	
Technology Literacy Challenge Fund Grant	045666-TJS1-2007	84.318	3,510		3,510	
Improving Teacher Quality	045666-TRS1-2007	84.367	63,631		61,306	
Total U.S. Department of Education			<u>657,302</u>		<u>643,890</u>	
<b>Total Federal Financial Assistance</b>			<u>\$829,741</u>	<u>\$22,366</u>	<u>\$816,329</u>	<u>\$18,548</u>

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Windham Exempted Village School District, Portage County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2008. We noted the District is experiencing certain financial difficulties discussed in Note 18. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

### **Compliance and Other Matters**

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 22, 2008





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Windham Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

February 22, 2008

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT  
PORTAGE COUNTY**

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

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

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

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

<b>Finding Number</b>	N/A – No finding to report
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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

**WINDHAM EXEMPTED VILLAGE SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2008**