

**STRYKER LOCAL SCHOOL DISTRICT**

**WILLIAMS COUNTY**

**FINANCIAL STATEMENTS**

*Year Ended June 30, 2005*





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Stryker Local School District  
400 South Defiance Street  
Stryker, Ohio 43557-9491

We have reviewed the *Independent Auditor's Report* of the Stryker Local School District, Williams County, prepared by Steyer & Co., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stryker Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 29, 2007

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**INDEPENDENT AUDITOR'S REPORT**

Stryker Local School District  
Williams County  
400 South Defiance Street  
Stryker, Ohio 43557-9491

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 the Stryker Local School District, Williams County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.


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

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 the Stryker Local School District, Williams County, Ohio, as of June 30, 2005, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006, on our consideration of Stryker Local School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Stryker Local School District  
Williams County  
Independent Accountants' Report  
Page 2

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Steyer & Co." with a stylized flourish at the end of the word "Co."

STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
December 18, 2006



**STRYKER LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

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

### **Financial Highlights**

#### **Highlights for fiscal year 2005 are as follows:**

- In total, net assets decreased \$428,155.
- General revenues accounted for \$3,923,343, or 86 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$650,094 or 14 percent of total revenues of \$4,573,437.
- The District's major fund included the general fund. The general fund had \$3,995,304 in revenues and other financing sources and \$4,339,423 in expenditures and other financing uses. The general fund's balance decreased \$344,119 from the prior fiscal year.
- The revenue generated from the general fund is used to pay for the current portion of debt.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Stryker Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 School District's most significant funds, with all other nonmajor funds presented in total in a single column.

For Stryker Local School District, the General Fund is the most significant fund.

### **Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**STRYKER LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

In the statement of net assets and the statement of activities, the School District discloses a single type of activity, governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004. The School District's decrease in general revenues aided the increase in current liabilities.

<b>Table 1 - Net Assets</b>		
<u>Governmental Activities</u>		
<u>Assets:</u>	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 2,444,142	\$ 2,766,306
Capital Assets, Net	3,117,097	3,154,503
Total Assets	5,561,239	5,920,809
<u>Liabilities:</u>		
Current and Other Liabilities	1,649,713	1,591,303
Long-Term Liabilities	493,432	483,257
Total Liabilities	\$ 2,143,145	\$ 2,074,560

**STRYKER LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Table 1 – Net Assets (Continued)**

	<u>Governmental Activities</u>	
<u>Net Assets:</u>	<u>2005</u>	<u>2004</u>
Invested in Capital Assets, Net of Related Debt	\$ 2,958,815	\$ 2,978,560
Restricted	130,531	198,462
Unrestricted	328,748	669,227
Total	<u>3,418,094</u>	<u>3,846,249</u>

Table 2 reflects the changes in net assets for fiscal year 2005, compared to fiscal year 2004. The decrease in general revenue was attributed to decrease in income tax revenue, grant revenue, and interest.

**Table 2 – Change in Net Assets**

	<u>Governmental Activities</u>	
<u>Revenues:</u>	<u>2005</u>	<u>2004</u>
<u>Program Revenues:</u>		
Charges for Services and Sales	\$ 280,509	\$ 299,780
Operating Grants, Contributions, & Interest	366,285	200,178
Capital Grants and Contributions	3,300	3,200
Total Program Revenues	<u>650,094</u>	<u>513,158</u>
<u>General Revenues:</u>		
Property Taxes	1,253,365	1,225,366
Income Taxes	455,277	615,867
Grants and Entitlements	2,158,466	2,201,045
Interest	25,127	20,789
Gifts and Donations	7,644	6,342
Miscellaneous	23,464	35,294
Total General Revenues	<u>3,923,343</u>	<u>4,104,703</u>
Total Revenues	<u>4,573,437</u>	<u>4,617,861</u>
<u>Expenses:</u>		
Instruction	2,798,317	2,664,082
<u>Support Services:</u>		
Pupils	299,495	251,785
Instructional Staff	287,687	277,611
Board of Education	19,660	17,618
Administration	424,251	379,941
Fiscal	234,623	222,776
Business	3,082	18,897
Operation & Maintenance of Plant	345,149	398,016
Pupil Transportation	184,512	160,891
Central	24,368	21,501
Non-Instructional Services	164,183	157,949
Extracurricular Activities	199,855	176,505
Capital Outlay	11,600	11,441
Interest & Fiscal Charges	4,810	10,033
Total Expenses	<u>5,001,592</u>	<u>4,769,046</u>
Decrease in Net Assets	<u>\$ (428,155)</u>	<u>\$ (151,185)</u>

**STRYKER LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3 – Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total 2004	Net 2004
Instruction	\$ 2,798,317	\$ 2,553,472	2,664,082	2,347,516
Support Services:				
Pupils	299,495	198,193	251,785	249,876
Instructional Staff	287,687	236,131	277,611	274,736
Board of Education	19,660	19,660	17,618	17,618
Administration	424,251	424,251	379,941	379,941
Fiscal	234,623	234,623	222,776	222,776
Business	3,082	3,082	18,897	18,897
Operation and Maintenance of Plant	345,149	345,149	398,016	398,016
Pupil Transportation	184,512	184,512	160,891	160,891
Central	24,368	17,368	21,501	21,501
Non-Instructional Services	164,183	6,429	157,949	59,073
Extracurricular Activities	199,855	112,218	176,505	83,573
Capital Outlay	11,600	11,600	11,441	11,441
Interest and Fiscal Charges	4,810	4,810	10,033	10,033
Total Expenses	<u>\$ 5,001,592</u>	<u>\$ 4,351,498</u>	<u>4,769,046</u>	<u>4,255,888</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 91 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent are derived from tuition and fees, specific grants, and donations.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$4,605,676 and expenditures \$4,954,741. The overall change in fund balance was a decrease of \$349,065. This decrease was almost entirely related to changes which occurred within other governmental funds.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon 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 year 2005, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$4,499,464 while actual expenditures were \$4,327,966. The \$171,498 difference is primarily due to a conservative “worst case scenario” approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**STRYKER LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2005, the School District had \$3,117,097 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2005, the District had \$158,282 in notes payable. The notes were issued for a fifteen-year period, with final maturity on September 1, 2014. The notes are being retired through the General Fund.

At June 30, 2005, the District's overall legal debt margin was \$4,850,142, with an un-voted debt margin of \$53,890.

For further information regarding the District's debt, see the notes to the basic financial statements

**Current Issues**

The District is holding its own in the state of a declining in economy and uncertainty in State funding. Stryker is a small rural community of 1,406 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major contributing influence on the economy.

The district is currently operating in the first year of the state biennium budget. 45.9 percent of district revenue sources are from local funds, 49.5 percent from state funds and the remaining 4.5 percent is from federal funds. The total expenditure per pupil was calculated at \$7,600.

Over the past several years, the District has remained in a good financial position. In August 2003, the District passed a 1-mill continuing permanent improvement levy, to generate \$51,000 annually. This levy provides a source of funds for the financial operations and stability of the district. However, future finances are not without challenges as our community changes and state funding is revised. The District will need to come back to the community for additional operating funds in the very near future due to higher insurance premiums, using utilities and basic operating increases. The effects of House Bill 66 are not completely known but will have a major impact on the upcoming operational years, moreover with the education of personal property for business inventory.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Richelle Oberlin, Treasurer/CFO, Stryker Local School District, 400 South Defiance Street, Stryker, Ohio 43557-9491.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,092,834
Materials and Supplies Inventory	2,254
Accrued Interest Receivable	1,693
Accounts Receivable	1,323
Prepaid Items	3,097
Taxes Receivable	1,190,000
Income Taxes Receivable	152,941
Noncurrent Assets	
Nondepreciable Capital Assets	342,860
Depreciable Capital Assets, Net	<u>2,774,237</u>
Total Assets	5,561,239
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	90,879
Accrued Wages and Benefits Payable	386,930
Intergovernmental Payable	90,669
Matured Compensated Absences Payable	46,584
Deferred Revenue	1,034,651
NonCurrent Liabilities	
Long-Term Liabilities	
Due Within One Year	19,631
Due in More Than One Year	<u>473,801</u>
Total Liabilities	2,143,145
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,958,815
Restricted For:	
Debt Service	100,935
Other Purposes	29,596
Unrestricted	<u>328,748</u>
Total Net Assets	<u><u>\$ 3,418,094</u></u>

*The accompanying notes are an integral part of these financial statements.*

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>Governmental Activities</b>			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction:					
Regular	\$ 2,473,173	\$ 95,279	\$ 84,127	\$ -	\$ (2,293,767)
Special	291,923	-	62,195	-	(229,728)
Vocational	32,121	-	3,244	-	(28,877)
Adult/Continuing	1,100	-	-	-	(1,100)
Support Services:					
Pupils	299,495	-	101,302	-	(198,193)
Instructional Staff	287,687	-	48,256	3,300	(236,131)
Board of Education	19,660	-	-	-	(19,660)
Administration	424,251	-	-	-	(424,251)
Fiscal	234,623	-	-	-	(234,623)
Business	3,082	-	-	-	(3,082)
Operation and Maintenance of Plant	345,149	-	-	-	(345,149)
Pupil Transportation	184,512	-	-	-	(184,512)
Central	24,368	-	7,000	-	(17,368)
Non-Instructional Services	164,183	97,593	60,161	-	(6,429)
Extracurricular Activities	199,855	87,637	-	-	(112,218)
Capital Outlay	11,600	-	-	-	(11,600)
Interest and Fiscal Charges	4,810	-	-	-	(4,810)
<b>Total Governmental Activities</b>	<u>\$ 5,001,592</u>	<u>\$ 280,509</u>	<u>\$ 366,285</u>	<u>\$ 3,300</u>	<u>(4,351,498)</u>

**General Revenues**

Property Taxes, Levied for General Purposes	1,203,870
Property Taxes, Levied for Capital Outlay	49,495
Income Taxes	455,277
Grants and Entitlements not Restricted to Specific Programs	2,158,466
Gifts and Donations	7,644
Investment Earnings	25,127
Miscellaneous	23,464

*Total General Revenues* 3,923,343

*Change in Net Assets* (428,155)

*Net Assets Beginning of Year* 3,846,249

*Net Assets End of Year* \$ 3,418,094

*The accompanying notes are an integral part of these financial statements.*

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 967,613	\$ 125,221	\$ 1,092,834
Materials and Supplies Inventory	-	2,254	2,254
Accrued Interest Receivable	1,693	-	1,693
Accounts Receivable	1,055	268	1,323
Due From Other Funds	28,023	100,935	128,958
Prepaid Items	3,097	-	3,097
Taxes Receivable	1,147,331	42,669	1,190,000
Income Taxes Receivable	<u>152,941</u>	<u>-</u>	<u>152,941</u>
<b>Total Assets</b>	<u>\$ 2,301,753</u>	<u>\$ 271,347</u>	<u>\$ 2,573,100</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 66,912	\$ 23,967	\$ 90,879
Accrued Wages and Benefits	376,051	10,879	386,930
Due to Other Funds	-	128,958	128,958
Intergovernmental Payable	59,413	1,109	60,522
Matured Compensated Absences Payable	46,584	-	46,584
Deferred Revenue	<u>1,071,766</u>	<u>39,386</u>	<u>1,111,152</u>
<b>Total Liabilities</b>	<u>1,620,726</u>	<u>204,299</u>	<u>1,825,025</u>
<b>FUND BALANCE:</b>			
Reserved:			
Reserved for Encumbrances	23,020	21,724	44,744
Reserved for Inventory	-	2,254	2,254
Reserved for Prepaid Items	3,097	-	3,097
Reserved for Property Taxes	111,619	3,283	114,902
Reserved for Budget Stabilization	143,759	-	143,759
Unreserved, Undesignated, Reported in:			
General Fund	399,532	-	399,532
Special Revenue Funds	-	29,271	29,271
Debt Service Funds	-	100,935	100,935
Capital Projects Funds	<u>-</u>	<u>(90,419)</u>	<u>(90,419)</u>
<b>Total Fund Balances</b>	<u>681,027</u>	<u>67,048</u>	<u>748,075</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,301,753</u>	<u>\$ 271,347</u>	<u>\$ 2,573,100</u>

*The accompanying notes are an integral part of these financial statements.*



**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
*JUNE 30, 2005*

<b>Total Governmental Fund Balances</b>	\$	748,075
 <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		3,117,097
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		76,501
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and therefore not reported in the funds.		(30,147)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable		(158,282)
Compensated Absences Payable		(335,150)
		(493,432)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u>3,418,094</u>

*The accompanying notes are an integral part of these financial statements.*

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Property Taxes	\$ 1,197,258	\$ 49,273	\$ 1,246,531
Income Taxes	458,163	-	458,163
Intergovernmental	2,207,681	354,129	2,561,810
Interest	24,871	256	25,127
Tuition and Fees	71,949	9,815	81,764
Rent	10,539	-	10,539
Extracurricular Activities	-	87,637	87,637
Gifts and Donations	-	7,644	7,644
Customer Sales and Services	2,976	97,593	100,569
Miscellaneous	21,867	1,597	23,464
<b>Total Revenues</b>	<u>3,995,304</u>	<u>607,944</u>	<u>4,603,248</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	2,261,940	86,051	2,347,991
Special	246,545	39,913	286,458
Vocational	26,507	4,800	31,307
Adult/Continuing	-	1,100	1,100
Support Services:			
Pupils	196,202	101,846	298,048
Instructional Staff	230,538	69,301	299,839
Board of Education	19,534	-	19,534
Administration	412,090	-	412,090
Fiscal	227,587	1,210	228,797
Business	9,769	-	9,769
Operation and Maintenance of Plant	313,698	29,766	343,464
Pupil Transportation	215,546	-	215,546
Central	17,441	6,976	24,417
Non-Instructional Services	-	180,991	180,991
Extracurricular Activities	101,968	93,364	195,332
Capital Outlay	35,159	-	35,159
Debt Service			
Principal Retirement	17,661	-	17,661
Interest and Fiscal Charges	4,810	-	4,810
<b>Total Expenditures</b>	<u>4,336,995</u>	<u>615,318</u>	<u>4,952,313</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(341,691)	(7,374)	(349,065)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	2,428	2,428
Transfers Out	(2,428)	-	(2,428)
<b>Total Other Financing Sources and Uses</b>	<u>(2,428)</u>	<u>2,428</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(344,119)	(4,946)	(349,065)
<b>Fund Balance at Beginning of Year</b>	<u>1,025,146</u>	<u>71,994</u>	<u>1,097,140</u>
<b>Fund Balance at End of Year</b>	<u>\$ 681,027</u>	<u>\$ 67,048</u>	<u>\$ 748,075</u>

*The accompanying notes are an integral part of these financial statements.*

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ (349,065)

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay - Depreciable Capital Assets	186,017	
Current Year Depreciation	(188,003)	
		(1,986)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities

Gain (Loss) on Disposal of Capital Assets		(35,420)
---	--	----------

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

Intergovernmental	(33,759)	
Income Taxes	(2,886)	
Delinquent Property Taxes	6,834	
		(29,811)

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

17,661

Some expenses reported in the statement of net activities, do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Intergovernmental payable	(1,698)	
Compensated absences payable	(27,836)	
		(29,534)

***Change in Net Assets of Governmental Activities*** **\$ (428,155)**

*The accompanying notes are an integral part of these financial statements.*

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Property Taxes	\$ 1,122,772	\$ 1,122,772	\$ 1,164,446	\$ 41,674
Income Taxes	575,000	575,000	514,102	(60,898)
Intergovernmental	2,183,262	2,239,817	2,207,681	(32,136)
Interest	25,000	25,000	27,068	2,068
Tuition and Fees	77,119	77,119	71,096	(6,023)
Rentals	14,000	14,000	10,476	(3,524)
Gifts and Donations	1,000	1,000	-	(1,000)
Customer Sales and Services	1,350	1,350	2,976	1,626
Miscellaneous	5,450	5,450	7,972	2,522
Total Revenues	<u>4,004,953</u>	<u>4,061,508</u>	<u>4,005,817</u>	<u>(55,691)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,273,247	2,283,174	2,234,476	48,698
Special	298,419	249,066	244,660	4,406
Vocational	36,980	37,031	21,547	15,484
Support Services:				
Pupils	116,600	202,153	195,256	6,897
Instructional Staff	183,305	247,029	234,496	12,533
Board of Education	21,968	28,157	20,726	7,431
Administration	424,724	428,670	412,775	15,895
Fiscal	241,387	241,449	236,081	5,368
Business	14,200	3,555	3,198	357
Operation and Maintenance of Plant	355,805	352,075	328,300	23,775
Pupil Transportation	219,995	223,190	208,872	14,318
Central	24,090	17,690	17,436	254
Extracurricular Activities	115,340	109,584	106,585	2,999
Capital Outlay	45,489	45,489	35,159	10,330
Debt Service:				
Principal	17,717	17,661	17,661	-
Interest	4,755	4,810	4,810	-
Total Expenditures	<u>4,394,021</u>	<u>4,490,783</u>	<u>4,322,038</u>	<u>168,745</u>
Excess of Revenues Over Expenditures	(389,068)	(429,275)	(316,221)	113,054
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	5,000	5,000	-	(5,000)
Refund of Prior Year Expenditures	5,200	5,200	20,975	15,775
Advances In	5,000	5,000	-	(5,000)
Transfers Out	(4,500)	(5,929)	(5,928)	1
Refund of Prior Year Receipts	(500)	(500)	-	500
Advances Out	(5,000)	(2,252)	-	2,252
Total Other Financing Sources and Uses	<u>5,200</u>	<u>6,519</u>	<u>15,047</u>	<u>8,528</u>
Net Change in Fund Balances	(383,868)	(422,756)	(301,174)	121,582
Fund Balance at Beginning of Year	1,130,962	1,130,962	1,130,962	-
Prior Year Encumbrances Appropriated	47,950	47,950	47,950	-
Fund Balance at End of Year	<u>\$ 795,044</u>	<u>\$ 756,156</u>	<u>\$ 877,738</u>	<u>\$ 121,582</u>

*The accompanying notes are an integral part of these financial statements.*

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2005**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,487
<b>LIABILITIES</b>	
Due to Students	\$ 18,487

*The accompanying notes are an integral part of these financial statements.*

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Stryker Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state and federal guidelines.

The Board controls the District’s instructional support facilities staffed by 22 noncertified personnel, 42 certified teaching personnel and 5 administrative employees who provide services to 517 students. The District currently operates four instructional/support buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Stryker Local School District, this includes general operations, food service, 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 the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. There are no component units of the Stryker Local School District.

The District participates in two jointly governed organizations. These organizations are the Northwest Ohio Computer Association and the Northern Buckeye Education Council. These organizations are presented in Note 16 to the basic financial statements.

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

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District 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 District's only major fund is the General 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 to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose uses are restricted to a particular purpose.

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 not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student athletic insurance, for amounts held to pay for college placement tests, and for various student-managed activities.

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

**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 use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services, and rent.



**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**E. Budgetary Process**

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 appropriation resolution are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the general fund and at the fund level for the remaining funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County 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 the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2005.

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the object level for the general fund and at the fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

Net Change in Fund Balance	
GAAP Basis	\$ (344,119)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	281,417
Accrued FY 2005, Not Yet Received in Cash	(252,229)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(463,206)
Accrued FY 2005, Not Yet Paid in Cash	566,835
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(89,872)
Budget Basis	<u>\$ (301,174)</u>

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2005, investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$24,871 and \$256 to other district funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

On government-wide 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 governmental wide financial statements.

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the acquisition of textbooks, instructional materials and capital assets, and to create a reserve for budget stabilization.

**J. Capital Assets**

All of the District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of one thousand five hundred dollars. 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 capitalized.

All 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:

Description	Useful Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 15 years

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after one year of service.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave is paid.

**L. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on 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, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long term loans are recognized as a liability on the fund financial statements when due.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves**

The District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, prepaid items, inventory, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**P. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

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 financial statements.

**Q. Estimates**

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

**R. Pass-Through Grants**

The handicapped preschool special revenue funds is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting on Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

**A. Accountability**

At June 30, 2005, the Food Service and Title I special revenue funds had deficit fund balances, in the amount of \$24,388 and \$329, respectively, resulting from adjustments for accrued liabilities. Also, the Permanent Improvement fund reported in the Capital Projects fund had a deficit fund balance in the amount of \$70,636. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when the accruals occur.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC)

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and by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio);
8. 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 on the interim monies available for investment at any one time: and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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**A. Cash in Hand**

At year-end, the District had \$0 in undeposited cash on hand which is included on the financial statements of the District as part of “Equity in Pooled Cash and Cash Equivalents.”

**B. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$1,110,942. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2005, \$1,165,101 of the District’s bank balance of \$1,465,101 was exposed to custodial risk as discussed below, while \$300,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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.

**C. Investments**

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

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 379	\$ 379
	<u>\$ 379</u>	<u>\$ 379</u>

*Interest Rate Risk* – The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

*Credit Risk* - The STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or



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collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasury or qualified trustee.

*Concentration of Credit Risk* – The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25% of the interim monies available for investment at any one time.

STAR Ohio                                  \$             379                                              100%

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per Footnote</u>	
Carrying amount of deposits	\$ 1,110,942
Investments	379
Total	<u>\$ 1,111,321</u>
 <u>Cash and Investments per Statement of net Assets</u>	
Governmental activities	\$ 1,092,834
Agency funds	18,487
Total	<u>1,111,321</u>

**NOTE 5 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the district. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 real and tangible personal property taxes for 2005 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county

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taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams County. The County Auditor periodically advances the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, or nor were they levied to finance fiscal year 2005 operations.

For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amounts available as an advance at June 30, 2005, were \$111,619 in the General Fund and \$3,283 in the Permanent Improvement Fund. The amounts available as an advance at June 30, 2004, were \$78,807 in the General Fund and \$2,252 in the Permanent Improvement Fund.

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

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial	\$ 5,088,540	10.00%	\$ 5,221,190	10.00%
Agricultural/Residential	37,398,520	69.00%	37,995,810	70.00%
Public Utility	5,543,160	10.00%	5,509,800	10.00%
Tangible Personal Property	5,827,240	11.00%	5,163,670	10.00%
Total Assessed Value	<u>\$ 53,857,460</u>	<u>100.00%</u>	<u>\$ 53,890,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 43.20		\$ 40.00	

**NOTE 6 – INCOME TAXES**

The School District levies a voted tax of .1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts, interest and intergovernmental receivables. All receivables are considered collectable 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.

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**NOTE 8 – INTERFUND BALANCES**

Following is a summary of interfund receivables/payables for all funds at June 30, 2005:

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$ 28,023	\$ -
Nonmajor Governmental Funds:		
Debt Service	100,935	-
Capital Projects	-	100,935
Special Revenue	-	28,023
Total Nonmajor Governmental Funds	<u>100,935</u>	<u>128,958</u>
Totals	<u>\$ 128,958</u>	<u>\$ 128,958</u>

**NOTE 9 – TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2005:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 2,428
Nonmajor Governmental Funds:		
Uniform School Supply Fund	2,428	-
Total All Funds	<u>\$ 2,428</u>	<u>\$ 2,428</u>

**NOTE 10 – CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at June 30, 2005:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 307,860	\$ 35,000	\$ -	\$ 342,860
Total Nondepreciable Capital Assets	<u>307,860</u>	<u>35,000</u>	<u>-</u>	<u>342,860</u>
Depreciable Capital Assets				
Land Improvements	155,804	-	-	155,804
Buildings and Building Improvements	2,936,572	-	-	2,936,572
Furniture, Fixtures, and Equipment	1,236,952	78,092	(88,865)	1,226,179
Vehicles	349,370	68,475	(30,080)	387,765
Books	814,723	4,450	-	819,173
Total Depreciable Capital Assets	<u>5,493,421</u>	<u>151,017</u>	<u>(118,945)</u>	<u>5,525,493</u>
Less Accumulated Depreciation				
Land Improvements	(140,332)	(12,641)	-	(152,973)
Buildings and Building Improvements	(1,296,800)	(46,771)	-	(1,343,571)
Furniture, Fixtures, and Equipment	(624,133)	(57,130)	58,253	(623,010)
Vehicles	(166,711)	(25,255)	25,272	(166,693)
Books	(418,802)	(46,207)	-	(465,009)
Total Accumulated Depreciation	<u>(2,646,778)</u>	<u>(188,003)</u>	<u>83,525</u>	<u>(2,751,256)</u>
Depreciable Capital Assets, Net	<u>2,846,643</u>	<u>(36,986)</u>	<u>35,420</u>	<u>2,774,237</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,154,503</u>	<u>\$ (1,986)</u>	<u>\$ 35,420</u>	<u>\$ 3,117,097</u>

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Depreciation expense was charged to governmental functions as follows:

	Amounts
Instruction:	
Regular	\$ 101,980
Special	3,109
Vocational	818
Support Services:	
Pupils	428
Instructional Staff	10,458
Administration	8,429
Fiscal	3,827
Operation and Maintenance of Plant	6,698
Pupil Transportation	24,835
Non-Instructional Services	5,731
Extracurricular Activities	10,249
Capital Outlay	11,441
Total Depreciation Expense	\$ 188,003

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 East Broad St., Columbus, Ohio 43215-3771, 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

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For fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003, were \$285,439, \$277,212, and \$270,734, respectively; 85 percent being paid in 2005 and 100 percent has been contributed for the years ended 2004 and 2003. The unpaid contribution for the year ended 2005, was \$46,128.

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll. 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 the fiscal years ended June 30, 2005, 2004, and 2003, were \$55,779, \$71,451, and \$75,371, respectively; 60 percent has been paid for the year ended 2005 and 100 percent has been paid for 2004 and 2003. The unpaid contribution for the year ended 2005 was \$34,200.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated

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employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$83,424 during fiscal 2005. The balance in the Health Care Stabilization Fund was \$3.33 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43%. In addition, SERS levies are a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of benefit recipients currently receiving health care benefits is approximately 58,123. The amount to fund health care benefits, including surcharge, equaled \$52,997 for the District during the 2005 fiscal year.

#### **NOTE 13 – OTHER EMPLOYEE BENEFITS**

##### **A. Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Teachers do not earn vacation time.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 30 percent of the accumulated sick leave to a maximum payout of 60 days, except that those employees who elect to retire within twelve months of the earliest permissible retirement date shall be paid 50 percent of the accumulated sick leave to a maximum of 40 days.

##### **B. Health Care Benefits**

The school district provides employee health care benefits through membership in the Northern Buckeye Education Council (NBEC). Monthly payments are made to the NBEC for health, dental, and life insurance coverages. Vision insurance is provided through Vision Service Plan. The employees share the cost of the monthly premiums with the board.

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**NOTE 14 – GROUP PURCHASING POOLS**

**A. Northern Buckeye Education Council's Employee Insurance Benefits Program**

The Northern Buckeye Education Council's Employee Insurance Benefits Program includes health, dental, drug, and life insurance plans. The health, drug, and dental plans are risk-sharing pools among approximately 28 members, and the life insurance plan is a group purchasing pool among 28 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by the Northern Buckeye Education Council and program participants. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2005, the Stryker Local School District contributed a total for all four plans \$429,642. Financial information can be obtained from Robin Pfund, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council's Worker's Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Worker's Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Educational Council (NBEC) as a group purchasing pool. The Plan is governed by the NBEC and plan participants. The Executive Director of the Council coordinates the management and administration of the program. Each year, the participating/members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**NOTE 15 – LONG-TERM DEBT AND OTHER OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Balance at <u>6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/05</u>	Amounts due within <u>One year</u>
Notes payable	\$ 175,943	\$ -	\$ 17,661	\$ 158,282	\$ 19,631
Compensated Absences	<u>307,314</u>	<u>335,150</u>	<u>307,314</u>	<u>335,150</u>	-
Total Governmental Activities long-term obligations	<u>\$ 483,257</u>	<u>\$ 335,150</u>	<u>\$ 324,975</u>	<u>\$ 493,432</u>	<u>\$ 19,631</u>

Debt outstanding at June 30, 2005 consisted of school improvement note totaling \$158,282 (interest rates at June 30, 2005 were 1.9 percent). The note was issued in September 1999 and will mature in September 2014.

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Total expenditures for interest for the above debt for the period ended June 30, 2005 was \$4,810. The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$ 19,631	\$ 2,840	\$ 22,471
2007	20,010	2,461	22,471
2008	20,394	2,077	22,471
2009	20,785	1,686	22,471
2010	21,183	1,288	22,471
2011-2015	56,279	1,424	57,703
	<u>\$ 158,282</u>	<u>\$ 11,776</u>	<u>\$ 170,058</u>

**NOTE 16 – STATUTORY RESERVES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2004	\$ (142,031)	\$ -	\$ 143,759
Current Year Set Aside Requirement	76,348	76,348	-
Current Year Offsets	-	(13,242)	-
Qualifying Expenditures	(69,704)	(63,106)	-
Balance June 30, 2005	<u>\$ (135,387)</u>	<u>\$ -</u>	<u>143,759</u>
Amount Carried Forward to Fiscal Year 2006	<u>\$ (135,387)</u>	<u>\$ -</u>	<u>143,759</u>

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

The School Board has voted to maintain the budget stabilization reserve as a permanent reserve of District funds.

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

*Northwest Ohio Computer Association (NWOCA)* – The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of twenty-eight educational entities, primarily school districts, located in Henry, Fulton, Defiance, Williams, Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. Financial information can be obtained from the Northwest Ohio Computer Association, Duane Baker, Director of Planning and Research, 22-900 State Route 34, Archbold, Ohio 43502.



**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

*Northern Buckeye Education Council* – The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$26,234. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, Who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

*Four County Career Center* – The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center – one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

**NOTE 18 – RISK MANANGEMENT**

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 2004 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Nationwide Insurance	Automobile	\$250/500
Hartford Insurance	Property	\$2,500
Hartford Insurance	Commercial	\$2,500
Nationwide Insurance	Education Liability	\$2,500

**A. Comprehensive**

The School District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% co-insured.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there have been no significant reductions in insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (see Note 14) consisting of school districts within Defiance, Fulton, Henry, Lucas, Williams and Wood Counties and other eligible governmental entities. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. The Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**STRYKER LOCAL SCHOOL DISTRICT**  
**WILLIAMS COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2005*

**C. Workers' Compensation Group Program**

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premium, enrollment or other fees, and perform its obligations in accordance with the terms of the agreements.

**NOTE 19 – OPERATING LEASE COMMITMENTS**

The School District leases a copier under an operating lease with a commitment of 36 months. The following is a schedule by years of future minimum payments under the lease at June 30, 2005:

Year Ending June 30:		
2006	\$	2,499
2007	\$	2,499
2008	\$	417

**NOTE 20 – CONTIGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. State School Funding**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Stryker Local School District  
Stryker, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stryker Local School District, Williams County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the District's management dated December 18, 2006, we noted other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we are required to report under *Government Auditing Standards*. We also noted certain additional matters that we reported to the District's management in a separate letter dated December 18, 2006.

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

A handwritten signature in black ink that reads "Steyer & Co." The word "Steyer" is written in a cursive style, followed by an ampersand and the word "Co." in a similar cursive style.

STEYER & CO.

Defiance, Ohio  
December 18, 2006



Mary Taylor, CPA  
Auditor of State

**STRYKER LOCAL SCHOOL DISTRICT**

**WILLIAMS 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 12, 2007**