

STRYKER LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2006



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, 2005 through June 30, 2006. 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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

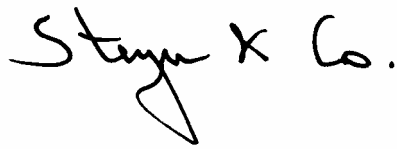
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2006, 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 January 26, 2007, 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
January 26, 2007

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006
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, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Highlights for fiscal year 2006 are as follows:

- In total, net assets decreased \$278,095.
- General revenues accounted for \$4,033,256, or 86 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$667,909 or 14 percent of total revenues of \$4,701,165.
- The District's major fund included the general fund. The general fund had \$4,114,867 in revenues and other financing sources and \$4,166,982 in expenditures and other financing uses. The general fund's balance decreased \$52,115 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 2006. 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, 2006
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 2006 compared to fiscal year 2005. The School District's increase in general revenues aided the decrease in current liabilities.

Table 1 - Net Assets		
<u>Governmental Activities</u>		
<u>Assets:</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 2,224,949	\$ 2,444,142
Capital Assets, Net	2,834,702	3,117,097
Total Assets	<u>5,059,651</u>	<u>5,561,239</u>
<u>Liabilities:</u>		
Current and Other Liabilities	1,461,364	1,649,713
Long-Term Liabilities	490,108	493,432
Total Liabilities	<u>\$ 1,951,472</u>	<u>\$ 2,143,145</u>

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Table 1 – Net Assets (Continued)

<u>Net Assets:</u>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Invested in Capital Assets, Net of Related Debt	\$ 2,696,010	\$ 2,958,815
Restricted	122,128	130,531
Unrestricted	290,041	328,748
Total	<u>\$ 3,108,179</u>	<u>\$ 3,418,094</u>

Table 2 reflects the changes in net assets for fiscal year 2006, compared to fiscal year 2005. The increase in general revenue was attributed to increase in income tax revenue, grant revenue, and interest.

Table 2 – Change in Net Assets

<u>Revenues:</u>	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<u>Program Revenues:</u>		
Charges for Services and Sales	\$ 345,088	\$ 280,509
Operating Grants, Contributions, & Interest	322,021	366,285
Capital Grants and Contributions	800	3,300
Total Program Revenues	<u>667,909</u>	<u>650,094</u>
<u>General Revenues:</u>		
Property Taxes	1,214,275	1,253,365
Income Taxes	492,823	455,277
Grants and Entitlements	2,243,188	2,158,466
Interest	44,551	25,127
Gifts and Donations	5,918	7,644
Miscellaneous	32,501	23,464
Total General Revenues	<u>4,033,256</u>	<u>3,923,343</u>
Total Revenues	<u>4,701,165</u>	<u>4,573,437</u>
<u>Expenses:</u>		
Instruction	2,994,177	2,798,317
<u>Support Services:</u>		
Pupils	219,669	299,495
Instructional Staff	232,907	287,687
Board of Education	17,627	19,660
Administration	376,983	424,251
Fiscal	195,802	234,623
Business	12,311	3,082
Operation & Maintenance of Plant	300,393	345,149
Pupil Transportation	166,885	184,512
Central	25,327	24,368
Non-Instructional Services	196,071	164,183
Extracurricular Activities	226,787	199,855
Capital Outlay	11,440	11,600
Interest & Fiscal Charges	2,881	4,810
Total Expenses	<u>4,979,260</u>	<u>5,001,592</u>
Decrease in Net Assets	<u>\$ (278,095)</u>	<u>\$ (428,155)</u>

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2006
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 2006	Net Cost of Services 2006	Total 2005	Net 2005
Instruction	\$ 2,994,177	\$ 2,765,031	2,798,317	2,553,472
Support Services:				
Pupils	219,669	108,144	299,495	198,193
Instructional Staff	232,907	183,084	287,687	236,131
Board of Education	17,627	17,627	19,660	19,660
Administration	376,983	376,983	424,251	424,251
Fiscal	195,802	195,802	234,623	234,623
Business	12,311	12,311	3,082	3,082
Operation and Maintenance of Plant	300,393	300,393	345,149	345,149
Pupil Transportation	166,885	166,885	184,512	184,512
Central	25,327	18,327	24,368	17,368
Non-Instructional Services	196,071	17,786	164,183	6,429
Extracurricular Activities	226,787	134,657	199,855	112,218
Capital Outlay	11,440	11,440	11,600	11,600
Interest and Fiscal Charges	2,881	2,881	4,810	4,810
Total Expenses	<u>\$ 4,979,260</u>	<u>\$ 4,311,351</u>	<u>5,001,592</u>	<u>4,351,498</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 92 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 \$4,691,602 and expenditures \$4,749,195. The overall change in fund balance was a decrease of \$57,593. This decrease was almost entirely related to changes which occurred within the general fund.

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 2006, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$5,072,378 while actual expenditures were \$4,478,236. The \$594,142 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, 2006
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$2,834,702 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, 2006, the District had \$138,692 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, 2006, the District's overall legal debt margin was \$4,821,603, with an un-voted debt margin of \$53,573.

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 \$7,485.

The District had two issues on the ballot for additional funds in 2006, both issues were passed in May. One was for a .25% income tax levy for 25 years for general permanent improvements and the other was for .25% for 28 years to raise approximately 4.385 million to construct, renovate, and remodel to improve school district buildings and facilities. The Board has entered into an agreement with the Ohio School Facilities Commission to build a new school.

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, 2006**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 845,890
Materials and Supplies Inventory	3,345
Accrued Interest Receivable	7,198
Accounts Receivable	531
Intergovernmental Receivable	1,852
Prepaid Items	941
Taxes Receivable	1,171,925
Income Taxes Receivable	193,267
Noncurrent Assets	
Nondepreciable Capital Assets	342,860
Depreciable Capital Assets, Net	<u>2,491,842</u>
Total Assets	5,059,651
LIABILITIES	
Current Liabilities	
Accounts Payable	
Accrued Wages and Benefits Payable	353,499
Intergovernmental Payable	92,417
Matured Compensated Absences Payable	8,634
Deferred Revenue	1,006,814
NonCurrent Liabilities	
Long-Term Liabilities	
Due Within One Year	20,010
Due in More Than One Year	<u>470,098</u>
Total Liabilities	1,951,472
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,696,010
Restricted For:	
Debt Service	100,935
Other Purposes	21,193
Unrestricted	<u>290,041</u>
Total Net Assets	<u>\$ 3,108,179</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, 2006**

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction:					
Regular	\$ 2,567,680	\$ 147,945	\$ 34,234	\$ -	\$ (2,385,501)
Special	399,724		44,967		(354,757)
Vocational	25,723		2,000		(23,723)
Adult/Continuing	1,050				(1,050)
Support Services:					
Pupils	219,669		111,525		(108,144)
Instructional Staff	232,907		49,023	800	(183,084)
Board of Education	17,627				(17,627)
Administration	376,983				(376,983)
Fiscal	195,802				(195,802)
Business	12,311				(12,311)
Operation and Maintenance of Plant	300,393				(300,393)
Pupil Transportation	166,885				(166,885)
Central	25,327		7,000		(18,327)
Non-Instructional Services	196,071	105,013	73,272		(17,786)
Extracurricular Activities	226,787	92,130			(134,657)
Capital Outlay	11,440				(11,440)
Interest and Fiscal Charges	<u>2,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,881)</u>
Total Governmental Activities	<u>\$ 4,979,260</u>	<u>\$ 345,088</u>	<u>\$ 322,021</u>	<u>\$ 800</u>	<u>(4,311,351)</u>

General Revenues

Property Taxes, Levied for General Purposes	1,165,413
Property Taxes, Levied for Capital Outlay	48,862
Income Taxes	492,823
Grants and Entitlements not Restricted to Specific Programs	2,243,188
Gifts and Donations	5,918
Investment Earnings	44,551
Miscellaneous	<u>32,501</u>

Total General Revenues 4,033,256

Change in Net Assets (278,095)

Net Assets Beginning of Year 3,386,274

Net Assets End of Year \$ 3,108,179

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 747,802	\$ 98,088	\$ 845,890
Materials and Supplies Inventory	-	3,345	3,345
Accrued Interest Receivable	7,198	-	7,198
Accounts Receivable	16	515	531
Due From Other Funds	33,023	100,935	133,958
Intergovernmental Receivable	-	1,852	1,852
Prepaid Items	941	-	941
Taxes Receivable	1,128,611	43,314	1,171,925
Income Taxes Receivable	<u>193,267</u>	<u>-</u>	<u>193,267</u>
Total Assets	<u>\$ 2,110,858</u>	<u>\$ 248,049</u>	<u>\$ 2,358,907</u>
LIABILITIES:			
Accrued Wages and Benefits	\$ 344,312	\$ 9,187	\$ 353,499
Due to Other Funds	-	133,958	133,958
Intergovernmental Payable	61,078	1,145	62,223
Matured Compensated Absences Payable	8,634	-	8,634
Deferred Revenue	<u>1,067,922</u>	<u>42,189</u>	<u>1,110,111</u>
Total Liabilities	<u>1,481,946</u>	<u>186,479</u>	<u>1,668,425</u>
FUND BALANCE:			
Reserved:			
Reserved for Encumbrances	29,716	7,139	36,855
Reserved for Prepaid Items	941	-	941
Reserved for Inventory	-	3,345	3,345
Reserved for Property Taxes	101,220	2,977	104,197
Reserved for Budget Stabilization	-	-	-
Unreserved, Undesignated, Reported in:			
General Fund	497,035	-	497,035
Special Revenue Funds	-	20,876	20,876
Debt Service Funds	-	100,935	100,935
Capital Projects Funds	<u>-</u>	<u>(73,702)</u>	<u>(73,702)</u>
Total Fund Balances	<u>628,912</u>	<u>61,570</u>	<u>690,482</u>
Total Liabilities and Fund Balances	<u>\$ 2,110,858</u>	<u>\$ 248,049</u>	<u>\$ 2,358,907</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, 2006

Total Governmental Fund Balances	\$	690,482
 <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		2,834,702
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		103,297
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and therefore not reported in the funds.		(30,194)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(138,692)	
Compensated Absences Payable	(351,416)	
	(490,108)	(490,108)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>3,108,179</u></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, 2006**

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property Taxes	\$ 1,145,530	\$ 48,278	\$ 1,193,808
Income Taxes	488,346	-	488,346
Intergovernmental	2,255,044	309,113	2,564,157
Interest	44,019	532	44,551
Tuition and Fees	123,218	7,990	131,208
Rent	16,415	-	16,415
Extracurricular Activities	-	92,130	92,130
Gifts and Donations	-	5,918	5,918
Customer Sales and Services	322	105,013	105,335
Miscellaneous	26,973	5,528	32,501
Total Revenues	<u>4,099,867</u>	<u>574,502</u>	<u>4,674,369</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	2,293,743	66,741	2,360,484
Special	358,644	31,100	389,744
Vocational	23,201	2,000	25,201
Adult/Continuing	-	1,050	1,050
Support Services:			
Pupils	109,755	111,525	221,280
Instructional Staff	179,728	39,163	218,891
Board of Education	17,599	-	17,599
Administration	367,484	-	367,484
Fiscal	191,113	1,267	192,380
Business	12,311	-	12,311
Operation and Maintenance of Plant	306,972	25,386	332,358
Pupil Transportation	146,015	-	146,015
Central	18,327	7,000	25,327
Non-Instructional Services	-	181,350	181,350
Extracurricular Activities	117,386	100,631	218,017
Capital Outlay	-	-	-
Debt Service			
Principal Retirement	19,590	-	19,590
Interest and Fiscal Charges	2,881	-	2,881
Total Expenditures	<u>4,164,749</u>	<u>567,213</u>	<u>4,731,962</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(64,882)	7,289	(57,593)
OTHER FINANCING SOURCES (USES):			
Transfers In	15,000	2,233	17,233
Transfers Out	(2,233)	(15,000)	(17,233)
Total Other Financing Sources and Uses	<u>12,767</u>	<u>(12,767)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(52,115)	(5,478)	(57,593)
Fund Balance at Beginning of Year	<u>681,027</u>	<u>67,048</u>	<u>748,075</u>
Fund Balance at End of Year	<u>\$ 628,912</u>	<u>\$ 61,570</u>	<u>\$ 690,482</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, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (57,593)

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	69,976	
Current Year Depreciation	(181,510)	
	(111,534)	(111,534)

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		(170,861)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Intergovernmental	1,852	
Income Taxes	4,477	
Delinquent Property Taxes	20,467	
	26,796	26,796

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

19,582

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	30,194	
Compensated absences payable	(14,679)	
	15,515	15,515

Change in Net Assets of Governmental Activities **\$ (278,095)**

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, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:				
Property Taxes	\$ 1,108,040	\$ 1,155,929	\$ 1,155,929	\$ -
Income Taxes	539,525	539,525	452,497	(87,028)
Intergovernmental	2,128,555	2,388,704	2,255,044	(133,660)
Interest	30,000	30,000	38,514	8,514
Tuition and Fees	72,355	72,355	124,194	51,839
Rentals	12,000	12,000	16,478	4,478
Gifts and Donations	1,000	1,000	-	(1,000)
Customer Sales and Services	2,900	2,900	322	(2,578)
Miscellaneous	6,300	6,300	4,725	(1,575)
Total Revenues	<u>3,900,675</u>	<u>4,208,713</u>	<u>4,047,703</u>	<u>(161,010)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,351,470	2,684,450	2,340,398	344,052
Special	515,812	515,812	428,038	87,774
Vocational	34,153	34,153	22,971	11,182
Support Services:				
Pupils	116,093	117,193	108,010	9,183
Instructional Staff	203,419	203,419	180,070	23,349
Board of Education	25,358	25,358	17,510	7,848
Administration	404,158	404,158	383,950	20,208
Fiscal	246,106	216,364	205,155	11,209
Business	12,956	12,956	12,311	645
Operation and Maintenance of Plant	355,933	355,933	322,865	33,068
Pupil Transportation	181,860	181,860	152,333	29,527
Central	15,332	25,442	18,327	7,115
Extracurricular Activities	115,406	115,637	112,835	2,802
Capital Outlay				-
Debt Service:				
Principal	19,595	19,595	19,582	13
Interest	2,876	2,889	2,889	-
Total Expenditures	<u>4,600,527</u>	<u>4,915,219</u>	<u>4,327,244</u>	<u>587,975</u>
Excess of Revenues Over Expenditures	(699,852)	(706,506)	(279,541)	426,965
OTHER FINANCING SOURCES (USES):				
Transfers In			158,759	158,759
Refund of Prior Year Expenditures	20,000	20,000	22,248	2,248
Advances In				-
Transfers Out	(5,900)	(149,659)	(145,992)	3,667
Refund of Prior Year Receipts	(1,500)	(1,500)	-	1,500
Advances Out	(6,000)	(6,000)	(5,000)	1,000
Total Other Financing Sources and Uses	<u>6,600</u>	<u>(137,159)</u>	<u>30,015</u>	<u>167,174</u>
Net Change in Fund Balances	(693,252)	(843,665)	(249,526)	594,139
Fund Balance at Beginning of Year	877,738	877,738	877,738	-
Prior Year Encumbrances Appropriated	89,875	89,875	89,875	-
Fund Balance at End of Year	<u>\$ 274,361</u>	<u>\$ 123,948</u>	<u>\$ 718,087</u>	<u>\$ 594,139</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, 2006**

	<u>Agency Fund</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ <u>15,630</u>
LIABILITIES	
Due to Students	\$ <u>15,630</u>

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, 2006

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 21 noncertified personnel, 42 certified teaching personnel and 5 administrative employees who provide services to 522 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, Northern Buckeye Education Council, and Four County Career Center. These organizations are presented in Note 17 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, 2006

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, 2006

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, 2006

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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, 2006

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	\$ (52,115)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	252,229
Accrued FY 2006, Not Yet Received in Cash	(283,416)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(566,835)
Accrued FY 2006, Not Yet Paid in Cash	435,326
Advanced Net	(5,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(29,715)
Budget Basis	<u>\$ (249,526)</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 2006, 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, 2006.

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 2006 was \$44,019 and \$532 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, 2006, 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, 2006

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.

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

On governmental fund financial statements, compensated absences are recognized as a liability and 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.

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

P. Interfund Transactions

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

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, 2006, the Food Service and Title I special revenue funds had deficit fund balances, in the amount of \$30,621 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 \$73,702. 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

Statutes classify monies held by the District into three categories.

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

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal 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 (1) and (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, and
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 of 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.

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

A. 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

At June 30, 2006, the carrying amount of all District deposits was \$861,125. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$583,644 of the District's bank balance of \$883,644 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 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, 2006, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 395	\$ 395
	<u>\$ 395</u>	<u>\$ 395</u>

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

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Credit Risk – Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. 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 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 that may be invested in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptance to 25% of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the District at June 30, 2006:

STAR Ohio	\$ <u>395</u>	<u>100%</u>
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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	\$ 861,125
Investments	395
Total	<u>\$ 861,520</u>
 <u>Cash and Investments per Statement of net Assets</u>	
Governmental activities	\$ 845,890
Agency funds	15,630
Total	<u>\$ 861,520</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 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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.

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Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2006, on the assessed values as of December 31, 2005, 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 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county 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, 2006, are available to finance fiscal year 2006 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, 2006 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 2006 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, 2006, were \$101,220 in the General Fund and \$12,977 in the Permanent Improvement Fund. 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 assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial	\$ 5,221,190	10.00%	\$ 5,371,500	10.00%
Agricultural/Residential	37,995,810	70.00%	38,594,780	72.00%
Public Utility	5,509,800	10.00%	4,852,160	9.00%
Tangible Personal Property	5,163,670	10.00%	4,754,930	9.00%
Total Assessed Value	<u>\$ 53,890,470</u>	<u>100.00%</u>	<u>\$ 53,573,370</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.00		\$ 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.

In May of 2006, two additional tax levies were approved by voters. A .25% income tax for general permanent improvements and .25% to construct, renovate, and remodel to improve school district buildings and facilities.

STRYKER LOCAL SCHOOL DISTRICT
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NOTE 7 – RECEIVABLES

Receivables at June 30, 2006 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.

NOTE 8 – INTERFUND BALANCES

Following is a summary of interfund receivables/payables for all funds at June 30, 2006:

<u>Fund</u>	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$ 33,023	\$ -
Nonmajor Governmental Funds:		
Debt Service	100,935	-
Capital Projects	-	100,935
Special Revenue	-	33,023
Total Nonmajor Governmental Funds	<u>133,935</u>	<u>133,958</u>
Totals	<u>\$ 133,958</u>	<u>\$ 133,958</u>

NOTE 9 – TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2006:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 15,000	\$ 2,233
Nonmajor Governmental Funds:		
Uniform School Supply Fund	2,169	-
District Management Fund	-	15,000
Poverty Based Assistance	64	-
Total All Funds	<u>\$ 17,233</u>	<u>\$ 17,233</u>

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NOTE 10 – CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2006:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 342,860	\$ -	\$ -	\$ 342,860
Total Nondepreciable Capital Assets	342,860	-	-	342,860
Depreciable Capital Assets				
Land Improvements	155,804	-	-	155,804
Buildings and Building Improvements	2,936,572	-	-	2,936,572
Furniture, Fixtures, and Equipment	1,226,179	40,294	(33,939)	1,235,534
Vehicles	387,765	-	-	387,765
Books	819,173	29,682	(423,302)	425,553
Total Depreciable Capital Assets	5,525,493	69,976	(457,241)	5,138,228
Less Accumulated Depreciation				
Land Improvements	(152,973)	(12,640)	-	(165,613)
Buildings and Building Improvements	(1,343,571)	(46,711)	-	(1,390,342)
Furniture, Fixtures, and Equipment	(623,010)	(59,526)	14,895	(667,641)
Vehicles	(166,693)	(23,466)	-	(190,159)
Books	(465,009)	(39,107)	271,485	(232,631)
Total Accumulated Depreciation	(2,751,256)	(181,510)	286,380	(2,646,386)
Depreciable Capital Assets, Net	2,774,237	(111,534)	(170,861)	2,491,842
Governmental Activities Capital Assets, Net	\$ 3,117,097	\$ (111,534)	\$ (170,861)	\$ 2,834,702

Depreciation expense was charged to governmental functions as follows:

	Amounts
Instruction:	
Regular	\$ 94,794
Special	3,109
Vocational	480
Support Services:	
Pupils	428
Instructional Staff	11,769
Administration	7,928
Fiscal	3,439
Operation and Maintenance of Plant	8,538
Pupil Transportation	23,046
Non-Instructional Services	5,858
Extracurricular Activities	10,681
Capital Outlay	11,440
Total Depreciation Expense	\$ 181,510

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.

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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.

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

The District's required contribution for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004, were \$294,568, \$285,439, and \$277,212, respectively; 85 percent has been contributed for fiscal year 2006 and 100 percent for 2005 and 2004. The unpaid contribution for the year ended 2006, was \$47,160.

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.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The rate for fiscal year 2006 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, 2006, 2005, and 2004, were \$66,278, \$55,779, and \$71,451, respectively; 47 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 2005 and 2004. The unpaid contribution for fiscal year 2006 was \$34,908.

STRYKER LOCAL SCHOOL DISTRICT
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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, 2006, 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, 2006 and June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was 3.5 billion on June 30, 2006.

For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$300,690,000. There were 119,184 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 25% 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, 2006, the healthcare allocation is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. 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, 2006, were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for health care reserve to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492. The amount to fund health care benefits, including surcharge, equaled \$23,805 for the District during the 2006 fiscal year.

STRYKER LOCAL SCHOOL DISTRICT
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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.

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 2006, the Stryker Local School District contributed a total for all four plans \$526,496. 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. During this fiscal year, the District paid an enrollment fee of \$506.

**STRYKER LOCAL SCHOOL DISTRICT
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NOTE 15 – LONG-TERM DEBT AND OTHER OBLIGATIONS

Changes in the School District’s long-term obligations during fiscal year 2006 were as follows:

	Balance at <u>6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/06</u>	Amounts due within <u>One year</u>
Notes payable	\$ 158,282	\$ -	\$ 19,590	138,692	\$ 20,010
Compensated Absences	<u>335,150</u>	<u>351,416</u>	<u>335,150</u>	<u>351,416</u>	-
Total Governmental Activities long-term obligations	<u>\$ 493,432</u>	<u>\$ 351,416</u>	<u>\$ 354,740</u>	<u>\$ 490,108</u>	<u>\$ 20,010</u>

Debt outstanding at June 30, 2006 consisted of school improvement note totaling \$138,692 (interest rates at June 30, 2006 were 1.90 percent). The note was issued in September 1999 and will mature in September 2014.

Total expenditures for interest for the above debt for the period ended June 30, 2006 was \$2,881. The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 20,010	\$ 2,461	\$ 22,471
2008	20,393	2,078	22,471
2009	20,784	1,687	22,471
2010	21,183	1,288	22,471
2011	21,589	882	22,471
2012-2014	34,733	542	35,275
	<u>\$ 138,692</u>	<u>\$ 8,938</u>	<u>\$ 147,630</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 2006.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2005	\$ (135,387)	\$ -	\$ 143,759
Current Year Set Aside Requirement	75,418	75,418	-
Current Year Offsets	-	-	-
Qualifying Expenditures	(81,306)	(94,948)	(143,759)
Balance June 30, 2006	<u>\$ (141,275)</u>	<u>\$ (19,530)</u>	<u>-</u>
Amount Carried Forward to Fiscal Year 2007	<u>\$ (141,275)</u>	<u>\$ -</u>	<u>-</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.

**STRYKER LOCAL SCHOOL DISTRICT
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The School Board has voted to transfer the budget stabilization reserve into the General Fund.

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, Executive Director, 22-900 State Route 34, Archbold, Ohio 43502.

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 MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2006 the District contracted with Hylant Administrative Services of the Ohio School Plan Insurance for various insurance coverage's, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Nationwide Insurance	Automobile	\$250/500
Nationwide Insurance	Property	\$2,500
Nationwide 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.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

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.

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, 2006:

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

NOTE 20 – CONTINGENCIES

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, 2006.

STRYKER LOCAL SCHOOL DISTRICT
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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 (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 January 26, 2007, 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 an instance of noncompliance or other matters that we are required to report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. We also noted certain additional matters that we reported to the District's management in a separate letter dated January 26, 2007.

This report is intended solely for the information and use of the Board of Education of the School District, management and is not intended to be and should not be used by 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 simpler, slightly cursive font.

STEYER & CO.

Defiance, Ohio
January 26, 2007

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2006**

FINDING NUMBER 2006-1

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditures.

Appropriations exceeded estimated resources in the following funds at June 30, 2006:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
June 30, 2006:			
Permanent Improvements	\$ 64,682	\$ 92,019	\$ (27,337)

We recommend the District review estimated resources prior to approving or amending appropriations. If estimate resources are not sufficient to support planned appropriations, the District should modify appropriations or request an amended certificate, if new revenue sources are identified.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-1	The Fiscal Officer will better monitor this situation and take appropriate corrective action.	June 30, 2007	Richelle Oberlin



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