

STRYKER LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

Audit Report

For the Year Ended June 30, 2007

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Stryker Local School District, Williams County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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

April 6, 2009

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STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
AUDIT REPORT
For the Year Ending June 30, 2007

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on 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.

Charles E. Harris & Associates, Inc.

January 31, 2009

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited**

The discussion and analysis of the financial performance of Stryker Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

In total, net assets increased \$3,957,023.

General revenues accounted for \$4,572,646, or 51 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants and contributions accounted for \$4,321,709 or 49 percent of total revenues of \$8,894,355.

The District's major funds include the General Fund, the Bond Retirement Fund, the OSFC Building Project Fund, and the OSFC Exceptional Need Construction Fund.

The General Fund had \$4,271,684 in revenues and \$4,104,791 in expenditures. The General Fund's balance increased \$166,893 from the prior fiscal year.

The Bond Retirement Fund had \$5,341,615 in revenues and other financing sources and \$5,146,610 in expenditures. The Bond Retirement Fund's balance increased \$195,005 from the prior fiscal year.

The OSFC Building Project Fund had \$970,480 in revenues and other financing sources and \$20,061 in expenditures. The OSFC Building Project Fund's balance increased \$950,419 from the prior fiscal year.

The OSFC Exceptional Need Construction Fund had \$8,785,011 in revenues and other financing sources and \$717,116 in expenditures. The OSFC Exceptional Need Construction Fund's balance increased \$8,067,895 from the prior fiscal year.

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 the 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 District, presenting both an aggregate view of the 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 District's most significant funds, with all other non-major funds presented in total in a single column.

The District's major funds include the General Fund, the Bond Retirement Fund, the OSFC Building Project Fund, and the OSFC Exceptional Need Construction Fund.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to 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 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 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity, governmental activities. All of the 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 District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds include the General Fund, the Bond Retirement Fund, the OSFC Building Project Fund, and the OSFC Exceptional Need Construction Fund.

Governmental Funds - Most of the 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 statements provide a detailed short-term view of the 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 governmental 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 District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006. The District's increase in general revenues aided the decrease in current liabilities.

**Table 1
Net Assets
Governmental Activities**

	2007	2006
<u>Assets:</u>		
Current and Other Assets	\$11,916,445	\$2,224,949
Capital Assets, Net	3,366,856	2,834,702
Total Assets	15,283,301	5,059,651
<u>Liabilities:</u>		
Current and Other Liabilities	1,697,533	1,461,364
Long-Term Liabilities	6,520,566	490,108
Total Liabilities	8,218,099	1,951,472
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	3,228,113	2,696,010
Restricted	3,298,911	122,128
Unrestricted	538,178	290,041
Total	\$7,065,202	\$3,108,179

The increase in long-term liabilities was attributed to the issuance of OSFC Bonds.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2007, compared to fiscal year 2006. The increase in general revenue was attributed to increase in income tax revenue, property tax revenue, and interest. The increase in program revenues was mainly due to the OSFC project revenue.

**Table 2
Change in Net Assets
Governmental Activities**

	2007	2006
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$313,973	\$345,088
Operating Grants, Contributions and Interest	491,948	322,021
Capital Grants and Contributions	3,515,788	800
Total Program Revenues	4,321,709	667,909
General Revenues:		
Property Taxes	1,377,357	1,214,275
Income Taxes	617,029	492,823
Grants and Entitlements	2,174,070	2,243,188
Interest	290,443	44,551
Gifts and Donations	7,022	5,918
Miscellaneous	51,961	32,501
Accrued Interest Received on Bonds Issued	54,764	
Total General Revenues	4,572,646	4,033,256
Total Revenues	8,894,355	4,701,165
 <u>Expenses:</u>		
Instruction	2,792,451	3,005,617
Support Services:		
Pupils	310,465	219,669
Instructional Staff	255,489	232,907
Board of Education	23,294	17,627
Administration	360,709	376,983
Fiscal	212,978	195,802
Business	9,970	12,311
Operation and Maintenance of Plant	298,811	300,393
Pupil Transportation	182,171	166,885
Central	25,173	25,327
Non-Instructional	188,883	196,071
Extracurricular Activities	221,887	226,787
Interest and Fiscal Charges	55,051	2,881
Total Expenses	4,937,332	4,979,260
Increase/(Decrease) in Net Assets	\$3,957,023	(\$278,095)

Expenses stayed stagnant in 2007 compared to 2006. Revenues increased dramatically due to the OSFC project revenue received in 2007 and an increase in property and income taxes and the related interest earnings from higher balances.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Instruction	\$2,792,451	\$(1,100,075)	\$3,005,617	\$2,776,471
Support Services:				
Pupils	310,465	197,727	219,669	108,144
Instructional Staff	255,489	240,501	232,907	183,084
Board of Education	23,294	23,294	17,627	17,627
Administration	360,709	360,709	376,983	376,983
Fiscal	212,978	212,978	195,802	195,802
Business	9,970	9,970	12,311	12,311
Operation and Maintenance of Plant	298,811	298,811	300,393	300,393
Pupil Transportation	182,171	172,038	166,885	166,885
Central	25,173	18,173	25,327	18,327
Non-Instructional	188,883	174	196,071	17,786
Extracurricular Activities	221,887	126,272	226,787	134,657
Interest and Fiscal Charges	55,051	55,051	2,881	2,881
Total Expenses	<u>\$4,937,332</u>	<u>\$615,623</u>	<u>\$4,979,260</u>	<u>\$4,311,351</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. No instruction activities were supported through taxes or other general revenues due to the recording of capital contributions for the OSFC project. For all governmental activities, support from general revenues is only 12 percent. The remaining 88 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$19,976,259 and expenditures of \$10,544,524. The overall change in fund balance was an increase of \$9,431,735. This increase was attributed to issuance of general obligation bonds.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$4,174,737 while actual expenditures were \$4,174,737.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$3,366,856 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, 2007, the District had \$6,015,000 in school improvement general obligation bonds for construction and building improvements. The bonds were issued in the amount of \$6,015,000 for a twenty-eight year period, with final maturity on January 15, 2035. Also, the District had \$118,682 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, 2007, the District's overall legal debt margin was \$990,754, with an un-voted debt margin of \$252,569.

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 economy and uncertainty in State funding. Stryker is a small rural community of 1,418 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 second year of the state biennium budget. 46 percent of District revenue sources are from local funds, 50 percent is from state funds and the remaining 4 percent is from federal funds. The total expenditure per pupil was calculated at \$7,808.89.

Over the past several years, the District has remained in a good financial position. In May 2006, the District passed a passes an additional .25% income tax that will generate \$128,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. The District will need to come back to the community for additional operating funds in the very near future due to skyrocketing insurance premiums, rising utilities and basic operation increases, to a name a few. The ramifications of House Bill 66 are not completely known but will have a major impact in the upcoming operational years, moreover with the reduction of personal property for business inventory.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the 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/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, 2007**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	10,226,215
Materials and Supplies Inventory		4,636
Accrued Interest Receivable		7,198
Accounts Receivable		16
Intergovernmental Receivable		36,930
Prepaid Items		823
Taxes Receivable		1,358,694
Income Taxes Receivable		281,933
Capital Assets:		
Non-Depreciable Capital Assets		1,057,823
Depreciable Capital Assets, net		2,309,033
Total Assets		<u>15,283,301</u>
 LIABILITIES:		
Accounts Payable		
Accrued Wages and Benefits		331,513
Contracts Payable		99,360
Intergovernmental Payable		82,808
Matured Compensated Absences Payable		8,409
Deferred Revenue		1,175,443
Long-Term Liabilities:		
Due Within One Year		145,393
Due in More Than One Year		6,375,173
Total Liabilities		<u>8,218,099</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		3,228,113
Restricted for Debt Service		203,141
Restricted for Capital Outlay		3,023,375
Restricted for Other Purposes		72,395
Unrestricted		538,178
Total Net Assets	\$	<u><u>7,065,202</u></u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2007**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 2,157,140	\$ 123,282	\$ 24,773	3,509,900	\$ 1,500,815
Special	263,027		229,258		(33,769)
Vocational	26,951		4,265		(22,686)
Adult/Continuing	5,350				(5,350)
Other	339,983		1,048		(338,935)
Support Services:					
Pupils	310,465		112,738		(197,727)
Instructional Staff	255,489		9,100	5,888	(240,501)
Board of Education	23,294				(23,294)
Administration	360,709				(360,709)
Fiscal	212,978				(212,978)
Business	9,970				(9,970)
Operation and Maintenance of Plant	298,811				(298,811)
Pupil Transportation	182,171		10,133		(172,038)
Central	25,173		7,000		(18,173)
Operation of Non-Instructional Services	188,883	95,076	93,633		(174)
Extracurricular Activities	221,887	95,615			(126,272)
Debt Service:					
Interest and Fiscal Charges	55,051				(55,051)
Totals	\$ 4,937,332	\$ 313,973	\$ 491,948	\$ 3,515,788	(615,623)

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes		1,155,747
Property Taxes, Levied for Capital Outlay		48,632
Property Taxes, Levied for Debt Service		172,978
Income Taxes		617,029
Grants and Entitlements not Restricted to Specific Programs		2,174,070
Gifts and Donations		7,022
Investment Earnings		290,443
Miscellaneous		51,961
Accrued Interest Received on Bonds and Notes Issued		54,764
Total General Revenues		4,572,646
Change in Net Assets		3,957,023
Net Assets Beginning of Year		3,108,179
Net Assets End of Year		\$ 7,065,202

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>OSFC Building Project</u>	<u>OSFC Exceptional Need Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 813,005	\$ 180,548	\$ 950,419	\$ 8,141,321	\$ 140,922	\$ 10,226,215
Materials and Supplies Inventory					4,636	4,636
Accrued Interest Receivable	7,198					7,198
Accounts Receivable					16	16
Interfund Receivable	5,322					5,322
Intergovernmental Receivable				25,934	10,996	36,930
Prepaid Items	596				227	823
Taxes Receivable	1,174,305	139,970			44,419	1,358,694
Income Taxes Receivable	281,933					281,933
Total Assets	\$ 2,282,359	\$ 320,518	\$ 950,419	\$ 8,167,255	\$ 201,216	\$ 11,921,767
Liabilities						
Current Liabilities:						
Accrued Wages and Benefits	322,104				9,409	331,513
Contracts Payable				99,360		99,360
Interfund Payable					5,322	5,322
Intergovernmental Payable	77,024				5,784	82,808
Matured Compensated Absences Payable	8,409					8,409
Deferred Revenue	1,132,314	125,513			44,505	1,302,332
	<u>1,539,851</u>	<u>125,513</u>	<u>-</u>	<u>99,360</u>	<u>65,020</u>	<u>1,829,744</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	38,206		41,276	596,780	8,918	685,180
Reserved for Inventory					4,636	4,636
Reserved for Prepaid Items	596				227	823
Reserved for Property Taxes	99,590	14,457			3,213	117,260
Unreserved, Undesignated, Reported in:						
General Fund	604,116					604,116
Special Revenue Funds					58,048	58,048
Debt Service Funds		180,548				180,548
Capital Projects Funds			909,143	7,471,115	61,154	8,441,412
Total Fund Balances	<u>742,508</u>	<u>195,005</u>	<u>950,419</u>	<u>8,067,895</u>	<u>136,196</u>	<u>10,092,023</u>
Total Liabilities and Fund Balances	\$ 2,282,359	\$ 320,518	\$ 950,419	\$ 8,167,255	\$ 201,216	\$ 11,921,767

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007**

Total Governmental Fund Balances	\$	10,092,023
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		3,366,856
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		126,889
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(6,133,682)	
Compensated Absences Payable	<u>(386,884)</u>	
		<u>(6,520,566)</u>
Net Assets of Governmental Activities	\$	<u><u>7,065,202</u></u>

See Accompanying Notes to the Basic 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, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>OSFC Building Project</u>	<u>OSFC Exceptional Need Construction</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property and Other Local Taxes	\$ 1,158,874	\$ 164,842		\$	\$ 48,564	\$ 1,372,280
Income Tax	582,855	17,106				599,961
Intergovernmental	2,309,006	14,407		3,509,900	347,046	6,180,359
Interest	59,124		20,480	210,111	728	290,443
Tuition and Fees	109,858				8,361	118,219
Rent	4,663					4,663
Extracurricular Activities					95,615	95,615
Gifts and Donations	309				6,713	7,022
Customer Sales and Services	400				95,076	95,476
Miscellaneous	46,595				5,366	51,961
Total Revenues	<u>4,271,684</u>	<u>196,355</u>	<u>20,480</u>	<u>3,720,011</u>	<u>607,469</u>	<u>8,815,999</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	1,956,197				59,268	2,015,465
Special	198,015				59,558	257,573
Vocational	26,524					26,524
Adult/Continuing					5,350	5,350
Other	338,935				1,048	339,983
Support Services:						
Pupils	196,413				112,738	309,151
Instructional Staff	221,959				23,013	244,972
Board of Education	23,294					23,294
Administration	345,974					345,974
Fiscal	203,436	3,525			1,248	208,209
Business	9,970					9,970
Operation and Maintenance of Plant	291,616				275	291,891
Pupil Transportation	138,918					138,918
Central	18,173				7,000	25,173
Operation of Non-Instructional Services					181,620	181,620
Extracurricular Activities	112,895				101,739	214,634
Capital Outlay			20,061	717,116	3,089	740,266
Debt Service:						
Principal	20,010	5,065,000				5,085,010
Interest	2,462	78,085				80,547
Total Expenditures	<u>4,104,791</u>	<u>5,146,610</u>	<u>20,061</u>	<u>717,116</u>	<u>555,946</u>	<u>10,544,524</u>
Excess of Revenues Over (Under) Expenditures	<u>166,893</u>	<u>(4,950,255)</u>	<u>419</u>	<u>3,002,895</u>	<u>51,523</u>	<u>(1,728,525)</u>
OTHER FINANCING SOURCES AND USES:						
General Obligation Bonds Issued		5,090,496	950,000	5,065,000		11,105,496
Accrued Interest Received on Bonds and Notes Issued		54,764				54,764
Total Other Financing Sources and Uses	-	5,145,260	950,000	5,065,000	-	11,160,260
Net Change in Fund Balances	166,893	195,005	950,419	8,067,895	51,523	9,431,735
Fund Balance (Deficit) at Beginning of Year	575,615				84,673	660,288
Fund Balance (Deficit) at End of Year	<u>\$ 742,508</u>	<u>\$ 195,005</u>	<u>\$ 950,419</u>	<u>\$ 8,067,895</u>	<u>\$ 136,196</u>	<u>\$ 10,092,023</u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 9,431,735

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on 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 outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	740,266	
Depreciation	<u>(156,557)</u>	
		583,709

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		(51,555)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	1,447	
Income Taxes	17,068	
Delinquent Property Taxes	<u>5,077</u>	
		23,592

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		5,085,010
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Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bonds issued		(11,105,496)
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.		25,496
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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>(35,468)</u>	
		<u>(35,468)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>3,957,023</u></u>
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See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,220,275	\$ 1,160,504	\$ 1,160,504	-
Income Tax	415,000	511,257	511,257	-
Intergovernmental	1,443,723	2,309,006	2,309,006	-
Interest	46,220	59,124	59,124	-
Tuition and Fees	126,378	109,874	109,874	-
Rent	8,125	4,663	4,663	-
Gifts and Donations		309	309	-
Customer Sales and Services	350	400	400	-
Miscellaneous	4,350	2,795	2,795	-
Total Revenues	<u>3,264,421</u>	<u>4,157,932</u>	<u>4,157,932</u>	<u>-</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,762,787	1,956,571	1,956,571	-
Special	360,515	202,546	202,546	-
Vocational	25,087	26,442	26,442	-
Other	267,170	342,950	342,950	-
Support Services:				
Pupils	108,377	208,420	208,420	-
Instructional Staff	155,339	225,395	225,395	-
Board of Education	29,819	23,135	23,135	-
Administration	360,024	362,924	362,924	-
Fiscal	177,981	203,376	203,376	-
Business	10,000	20,053	20,053	-
Operation and Maintenance of Plant	324,271	300,388	300,388	-
Pupil Transportation	137,144	149,348	149,348	-
Central	26,910	18,176	18,176	-
Extracurricular Activities	107,500	112,541	112,541	-
Debt Service:				
Principal	20,010	19,983	19,983	-
Interest	2,461	2,489	2,489	-
Total Expenditures	<u>3,875,395</u>	<u>4,174,737</u>	<u>4,174,737</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(610,974)</u>	<u>(16,805)</u>	<u>(16,805)</u>	<u>-</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	22,957	43,800	43,800	-
Transfers Out	(5,000)			-
Advances Out	(5,000)			-
Total Other Financing Sources and Uses	<u>12,957</u>	<u>43,800</u>	<u>43,800</u>	<u>-</u>
Net Change in Fund Balances	(598,017)	26,995	26,995	-
Fund Balance (Deficit) at Beginning of Year	718,087	718,087	718,087	-
Prior Year Encumbrances Appropriated	29,715	29,715	29,715	-
Fund Balance (Deficit) at End of Year	<u>\$ 149,785</u>	<u>\$ 774,797</u>	<u>\$ 774,797</u>	<u>\$ -</u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>17,807</u>
Total Assets	<u>17,807</u>
Liabilities	
Current Liabilities:	
Due to Students	17,807
Total Liabilities	\$ <u><u>17,807</u></u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Stryker Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Stryker Local School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 21 non-certified and 39 certified full-time teaching personnel who provide services to 514 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are 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 and contributions 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 governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund 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 various funds of the District are grouped into the 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 has four major governmental funds.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

OSFC Building Project Fund - The OSFC Building Project Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

OSFC Exceptional Need Construction Fund - The OSFC Exceptional Need Construction Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

The other governmental funds of the District account for grants and other resources, and capital projects of the District 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 therefore not available to support the District's own programs. The District's private purpose trust fund accounts for a program to assist students in attending music camp. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The District's agency funds account for various student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, 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.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level in all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2007, 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, 2007.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$59,124, \$20,480 to the OSFC Building Fund, \$210,111 to the OSFC Exceptional Need Construction Fund, and \$728 to all other governmental funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

G. Prepaid Items

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

H. Inventory

On the 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. Inventory consists of donated and purchased food.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the textbooks, instructional materials and capital assets. There were no restricted assets at year-end.

J. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 15 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

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 that the District will compensate the employees for the benefits through paid 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 twenty years of service and for all employees who have 15 years of service at age 45, 10 years of service at age 50, and 5 years of service at age 60.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. 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 balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, prepaid items, and inventory.

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

O. Interfund Assets/Liabilities

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.

P. 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.

Q. Pass-Through Grants

The Handicapped Preschool special revenue fund 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 of 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$166,893
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received In Cash FY 2007	261,170
Accrued FY 2007, Not Yet Received in Cash	(374,922)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(438,679)
Accrued FY 2007, Not Yet Paid in Cash	450,741
Encumbrances Outstanding at Year End (Budget Basis)	(38,208)
Budget Basis	\$26,995

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAR Ohio).

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. Investments may only be made through specified dealers and institutions.

Cash on Hand

The District had no cash on hand at year-end.

Deposits

At June 30, 2007, the carrying amount of all District deposits was \$10,243,606. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$9,962,191 of the District's bank balance of \$10,262,191 was exposed to custodial risk as discussed below, while \$300,000, was covered by Federal Deposit Insurance Corporation.

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will 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 that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasury or qualified trustee. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2007, the District had the following investments.

	Balance at Fair Value	Investment Maturities 6 months or less
STAR Ohio	\$416	\$416
Total Investments	\$416	\$416

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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. 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 percent of 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, 2007:

STAR Ohio	\$416	100%
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

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 financial statements as of June 30, 2007:

<u>Cash and Investments per Footnote</u>	
Carrying amount of deposits	\$10,243,606
Investments	416
Total	\$10,244,022
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental Activities	\$10,226,215
Agency Funds	17,807
Total	\$10,244,022

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 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available 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, 2007 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, nor were they levied to finance fiscal year 2007 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 amount available as an advance at June 30, 2007, was \$99,590 in the General Fund, and \$14,457 in the Bond Retirement Fund, and \$3,213 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2006, was \$101,220 in the General Fund, and \$12,977 in the Permanent Improvement Fund.

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Commercial/Industrial	\$5,371,500	10%	\$6,934,690	12%
Agricultural/Residential	38,594,780	72%	42,056,580	73%
Public Utility	4,852,160	9%	4,922,060	9%
Tangible Personal	4,754,930	9%	3,650,550	6%
Total Assessed Value	<u>\$53,573,370</u>	<u>100%</u>	<u>\$57,563,880</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$40.00		\$48.80	

6. INCOME TAX

The District levies a voted tax of 1.25 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 and is credited to the General Fund. Also, the District levies a .5 percent for the retirement of bonds, which is credited to the Bond Retirement Fund. 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 school district income tax return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds.

7. RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts, interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. INTERFUND BALANCES

Following is a summary of interfund receivables/payables for all funds at June 30, 2007:

<u>Fund</u>	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$5,322	\$-
Nonmajor Governmental Funds:		
Special Revenue	-	5,322
Total Nonmajor Governmental Funds	-	5,322
Governmental Funds Totals	<u>\$5,322</u>	<u>\$5,322</u>

In prior years the interfund receivable/payable was \$133,958. During the current year audit it was determined that interfunds of \$128,636 were paid back in prior years or never should have been booked and should be excluded. The fund statement beginning balances have been restated, see note 24.

9. TRANSFERS

The District didn't make any transfers during the fiscal year ending June 30, 2007.

10. CAPITAL ASSETS

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

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>
Governmental Activities				
Nondepreciable Capital Assets				
Construction in Progress	\$-	\$714,963	\$-	\$714,963
Land	342,860	-	-	342,860
Total Nondepreciable Capital Assets	<u>342,860</u>	<u>-</u>	<u>-</u>	<u>1,057,823</u>
Depreciable Capital Assets				
Land Improvements	155,804	-	-	155,804
Buildings and Building Improvements	2,936,572	-	-	2,936,572
Furniture, Fixtures, and Equipment	1,232,534	24,372	29,969	1,226,937
Vehicles	387,765	-	28,500	359,265
Books	425,553	931	-	426,484
Total Depreciable Capital Assets	<u>5,138,228</u>	<u>25,303</u>	<u>58,469</u>	<u>5,105,062</u>
Less Accumulated Depreciation				
Land Improvements	165,613	10,816	-	176,429
Buildings and Building Improvements	1,390,342	49,102	-	1,439,444
Furniture, Fixtures, and Equipment	667,641	48,493	6,914	709,220
Vehicles	190,159	14,326	-	204,485
Books	232,631	33,820	-	266,451
Total Accumulated Depreciation	<u>2,646,386</u>	<u>156,557</u>	<u>6,914</u>	<u>2,796,029</u>
Depreciable Capital Assets, Net	<u>2,491,842</u>	<u>(131,254)</u>	<u>51,555</u>	<u>2,309,033</u>
Governmental Activities Capital Assets, Net	<u>\$2,834,702</u>	<u>\$583,709</u>	<u>\$51,555</u>	<u>\$3,366,856</u>

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$95,824
Special	3,150
Vocational	420
Support Services:	
Pupil	317
Instructional Staff	9,463
Administration	6,379
Fiscal	2,996
Operation and Maintenance of Plant	8,352
Pupil Transportation	13,906
Non-Instructional Services	5,858
Extracurricular	9,892
Total Depreciation Expense	<u>\$156,557</u>

11. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2007 was 14 percent of annual covered payroll; 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$80,236, \$66,278, and \$55,779, respectively; 65 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contributions for fiscal year 2007 were \$27,816.

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The CP offers features of both the DBP and the 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 balances from the existing DBP into the DCP or the CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members are 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.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$307,620, \$294,568, and \$285,439, respectively; 86 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is \$43,500.

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, 2007, two of five members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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 health care costs in the form of 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 percent 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 (the latest information available), and June 30, 2005, the board allocated employer contributions equal to 1 percent of covered payroll to 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 \$282,743,000. 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.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the allocation rate is 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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 fund is 150 percent 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 percent 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 a health care reserve equal to at least 150 percent 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 \$26,513 for the District during the 2007 fiscal year.

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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 upon hiring. 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 rated 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 of 63 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 maximum of 40 days.

B. Health Care Benefits

The District provides employee health care benefits through membership in the Northern Buckeye Education Council (NBEC). Monthly payments are made to 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.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2007, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
School Facilities Improvement Bonds, Series 2006A					
Serial Bonds	\$-	\$545,000	\$-	\$545,000	\$95,000
Term Bonds	-	3,695,000	-	3,695,000	-
Capital Appreciation Bonds	-	145,000	-	145,000	-
School Facilities Improvement Bonds, Series 2006B					
Serial Bonds	-	350,000	-	350,000	\$30,000
Term Bonds	-	1,215,000	-	1,215,000	-
Capital Appreciation Bonds	-	65,000	-	65,000	-
School Facilities Note 2006A (TAN)	-	3,435,000	3,435,000	-	-
School Facilities Note 2006B (TAN)	-	1,630,000	1,630,000	-	-
Notes Payable	\$138,692	-	20,010	118,682	20,393
Compensated Absences	351,416	386,884	351,416	386,884	-
Total Governmental Activities	<u>\$490,108</u>	<u>\$11,466,884</u>	<u>\$5,436,426</u>	<u>\$6,520,566</u>	<u>\$145,393</u>

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

Debt outstanding at June 30, 2007 consisted of a school improvement note totaling \$118,682 (interest rates at June 30, 2007 were 1.90 percent). The note was issued in September 1999 and will mature in September 2014.

The District had school facilities bonds of \$4,385,000 (interest rates of 4.0 to 4.3 percent). The bonds were issued in November 2006 and will mature in January 2035.

The District had school facilities bonds of \$1,630,000 (interest rates of 4.0 to 4.2 percent). The bonds were issued in November 2006 and will mature in January 2030.

School Facilities Improvement Bonds, Series 2006A

Proceeds from the outstanding bonds were used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities at the high school. These bonds were issued on November 20, 2006. The bonds consisted of \$4,240,000 in current interest bonds (\$545,000 issued as serial bonds and \$3,695,000 issued as term bonds) and \$145,000 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
January 15, 2008	\$95,000	4.00%
January 15, 2009	105,000	4.00%
January 15, 2010	110,000	4.00%
January 15, 2011	115,000	4.00%
January 15, 2012	120,000	4.00%

The term bonds which mature on January 15, 2019 (the 2019 Term Bonds), have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
January 15, 2016	\$125,000
January 15, 2017	130,000
January 15, 2018	135,000

The balance of the principal of the 2019 Term Bonds (\$140,000) shall be payable at their maturity on January 15, 2019.

The term bonds which mature on January 15, 2023 (the 2023 Term Bonds), have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

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

Year	Principal Amount to be Redeemed
January 15, 2020	\$145,000
January 15, 2021	150,000
January 15, 2022	155,000

The balance of the principal of the 2023 Term Bonds (\$640,000) shall be payable at their maturity on January 15, 2023.

The term bonds which mature on January 15, 2025 (the 2025 Term Bonds), have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2024	\$170,000

The balance of the principal of the 2025 Term Bonds (\$175,000) shall be payable at their maturity on January 15, 2025.

The term bonds which mature on January 15, 2027 (the 2027 Term Bonds), have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2026	\$185,000

The balance of the principal of the 2027 Term Bonds (\$190,000) shall be payable at their maturity on January 15, 2027.

The term bonds which mature on January 15, 2032 (the 2032 Term Bonds), have an interest rate of 4.2 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2028	\$195,000
January 15, 2029	205,000
January 15, 2030	215,000
January 15, 2031	225,000

The balance of the principal of the 2032 Term Bonds (\$235,000) shall be payable at their maturity on January 15, 2032.

**STRYKER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

The term bonds which mature on January 15, 2035 (the 2035 Term Bonds), have an interest rate of 4.3 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2033	\$240,000
January 15, 2034	255,000

The balance of the principal of the 2035 Term Bonds (\$265,000) shall be payable at their maturity on January 15, 2035.

The capital appreciation bonds were issued in the aggregate original principal amount of \$145,000 and mature on January 15 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Maturity Date	Original Principal Amount	Accreted Value at Maturity
2013	\$55,020	\$125,000
2014	48,038	125,000
2015	41,942	125,000

The value of the capital appreciation bonds reported at June 30, 2007 was \$145,000. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$0 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

School Facilities Improvement Bonds, Series 2006B

Proceeds from the outstanding bonds were used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities at the high school. These bonds were issued on November 20, 2006. The bonds consisted of \$1,565,000 in current interest bonds (\$350,000 issued as serial bonds and \$1,215,000 issued as term bonds) and \$65,000 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Maturity Date	Principal Amount	Interest Rate
January 15, 2008	\$30,000	4.00%
January 15, 2009	60,000	4.00%
January 15, 2010	60,000	4.00%
January 15, 2011	65,000	4.00%
January 15, 2012	65,000	4.00%
January 15, 2013	70,000	4.00%

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

The term bonds which mature on January 15, 2021 (the 2021 Term Bonds), have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2018	\$75,000
January 15, 2019	75,000
January 15, 2020	80,000

The balance of the principal of the 2021 Term Bonds (\$80,000) shall be payable at their maturity on January 15, 2021.

The term bonds which mature on January 15, 2027 (the 2027 Term Bonds), have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2022	\$85,000
January 15, 2023	90,000
January 15, 2024	90,000
January 15, 2025	95,000
January 15, 2026	100,000

The balance of the principal of the 2027 Term Bonds (\$105,000) shall be payable at their maturity on January 15, 2027.

The term bonds which mature on January 15, 2030 (the 2030 Term Bonds), have an interest rate of 4.2 percent per year, and are subject to mandatory sinking fund redemption and payable pursuant Mandatory Sinking Fund Redemption Requirements in principal amounts on the Principal Payment Dates (each a Mandatory Redemption Date) as follows:

Year	Principal Amount to be Redeemed
January 15, 2028	\$110,000
January 15, 2029	115,000

The balance of the principal of the 2030 Term Bonds (\$115,000) shall be payable at their maturity on January 15, 2030.

The capital appreciation bonds were issued in the aggregate original principal amount of \$65,000 and mature on January 15 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2014	\$20,897	\$75,000
2015	17,432	75,000
2016	14,541	75,000
2017	12,130	75,000

The value of the capital appreciation bonds reported at June 30, 2007 was \$65,000. The annual accretion of interest is based on the straight-line method. Total accreted interest of \$0 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Total expenditures for interest for the above debt for the period ended June 30, 2007 was \$80,574.

The scheduled payments of principal and interest on the general obligation bonds and notes as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$145,393	\$250,594	\$395,987
2009	185,784	233,997	419,781
2010	191,183	226,998	418,181
2011	201,589	219,792	421,381
2012	207,003	212,178	419,181
2013 – 2017	547,730	1,470,425	2,018,155
2018 – 2022	1,120,000	869,950	1,989,950
2023 - 2027	1,360,000	628,350	1,988,350
2028 – 2032	1,415,000	331,820	1,746,820
2033 - 2035	760,000	66,435	826,435
Total	<u>\$6,133,682</u>	<u>\$4,510,539</u>	<u>\$10,644,221</u>

15. SET-ASIDE CALCULATIONS AND FUND 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2006	(\$141,275)	
Current Year Set-aside Requirement	78,307	\$78,307
Current Year Offsets		(48,328)
Qualifying Disbursements	(21,861)	(32,651)
Total	<u>(84,829)</u>	<u>(2,672)</u>
Cash Balance Carried Forward to FY 2008	<u>(\$84,829)</u>	

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Williams, 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 member school districts. 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 Duane Baker, Executive Director, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) 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 the fiscal year were \$25,941. 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.

C. 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, Jennifer Bonner, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

17. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$433,901. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC WORKERS' COMPENSATION GROUP RATING PLAN

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$500 to the WCGRP to cover the costs of administering the program.

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 2007 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	Education Liability	\$2,500

A. Comprehensive

The 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 100 percent co-insured. Settled claims have not exceeded this commercial coverage in any of the past three years, and there have been no significant reductions in insurance coverage from last year.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool (see Note 17) consisting of school districts within Defiance, Fulton, Henry, Lucas, Williams and Wood Counties and other eligible governmental entities. The 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 District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 17). 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.

20. OPERATING LEASE COMMITMENTS

The 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, 2007:

Year Ending June 30:	
2008	\$ 417

21. CONTINGENCIES

A. Grants

The 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 District at June 30, 2007.

B. Litigation

There are currently no matters in litigation with the District as defendant.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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

22. CONTRACTUAL COMMITMENTS

As of June 30, 2007, the District had the following contractual purchase commitments:

Company	Amount Remaining
Bielharz Architects	\$123,660
Touchtone CM	539,826
Woolace Electric	1,050,000
Baker-Shindler Contracting	4,875,400
Stark's Incorporated	368,615
Border Fire Protection	109,410
Warner Mechanical Corp.	1,173,444
Four Seasons Environment	14,366
Total	\$8,254,721

23. FUND DEFICITS

The Permanent Improvement Fund had a negative fund balance of \$39,781 as of June 30, 2007. The deficit was attributed to accrual revenue and expenditures in accordance with Generally Accepted Accounting Principles.

24. RESTATEMENT OF FUND BALANCES

During the current year audit it was determined that several interfund receivables/payables had been paid back in prior years or should never have been booked, but were still being carried in the various funds.

The District has implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.* This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

This prior period adjustments had the following effects on the various fund balances:

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds
Fund Balance, June 30, 2006	\$628,912	\$100,935	(\$39,365)
Intergovernmental Payables	(25,596)	-	(4,598)
Elimination of Interfunds	(27,701)	(100,935)	128,636
Restated Fund Balance, July 1, 2006	\$575,615	\$-	\$84,673

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stryker Local School District, Williams County (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2009. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

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, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the District in a separate letter dated January 31, 2009.

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

Charles E. Harris & Associates, Inc.

January 31, 2009

STRYKER LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2007

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

FINDING #2007-001

MATERIAL WEAKNESS

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report, in writing, to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the District. Independent auditors are not part of the entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

As a result of our audit, we identified material misstatements in the District's financial statements, as well as other misstatements that were not necessarily material, but were more than inconsequential. These items include, but are not limited to, the misstatement of the prior year Interfund Payables/Receivables and the prior year SERS liability. Material amounts noted above have been adjusted in the financial statements.

The District is relying on a contracted service provider to compile the financial statements. We recommend the District consider modifying the existing control procedures over the financial reporting process to include an independent review of the financial statements and the related journal entries before being audited. The review should be conducted by District personnel that are knowledgeable of generally accepted accounting principles. Additionally, the Treasurer and the contracted service provider should review the adjustments and reclassifications identified during the current audit and ensure that similar errors are not reported on financial statements in subsequent years.

STRYKER LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS - continued

JUNE 30, 2007

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE
REPORTED IN ACCORDANCE WITH GAGAS - continued**

FINDING #2007-001 - continued

Management's Response:

Management has researched all prior and current Interfund Payables/Receivables and created a spreadsheet to track these on an ongoing basis. Also, we have implemented procedures to monitor the financial statement preparation to ensure they are prepared accurately. These items were corrected for the 2008 financial statements.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2007**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-1	Ohio Revised Code Section 5705.39 - Total Appropriations Exceeded Estimated Resources	Yes	Finding no longer valid



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
MAY 7, 2009**