

STRYKER LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Stryker Local School District, Williams County, prepared by Steyer & Co., for the audit period July 1, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 2, 2005

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STEYER & CO.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stryker Local School District, Williams County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stryker Local School District, Williams County, Ohio, as of June 30, 2004, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2005, on our consideration of Stryker Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 10, 2005

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Highlights for fiscal year 2004 are as follows:

- In total, net assets decreased \$151,185.
- General revenues accounted for \$4,104,703, or 89 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$513,158 or 11 percent of total revenues of \$4,617,861.
- The District's major fund included the general fund. The general fund had \$4,079,339 in revenues and other financing sources and \$4,295,524 in expenditures and other financing uses. The general fund's balance decreased \$216,185 from the prior fiscal year.
- The revenue generated from the general fund is used to pay for the current portion of debt.

Using the Basic Financial Statements

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column.

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

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

Reporting: the School District's Most Significant Funds

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

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2004: A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

Table 1 - Net Assets

	Governmental Activities
<u>Assets:</u>	
Current and Other Assets	\$ 2,766,306
Capital Assets, Net	3,154,503
Total Assets	5,920,809
 <u>Liabilities:</u>	
Current and Other Liabilities	1,591,303
Long-Term Liabilities	483,257
Total Liabilities	2,074,560

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,978,560
Restricted	198,462
Unrestricted	669,227
Total	<u>\$ 3,846,249</u>

Table 2 reflects the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2 - Change in Net Assets

	Governmental Activities
<u>Revenues:</u>	
<u>Program Revenues:</u>	
Charges for Services and Sales	\$ 299,780
Operating Grants, Contributions and Interest	200,178
Capital Grants and Contributions	13,200
Total Program Revenues	<u>513,158</u>
<u>General Revenues:</u>	
Property Taxes	1,225,366
Income Taxes	615,867
Grants and Entitlements	2,201,045
Interest	20,789
Gifts and Donations	6,342
Miscellaneous	35,294
Total General Revenues	<u>4,104,703</u>
Total Revenues	4,617,861
<u>Expenses:</u>	
Instruction	2,664,082
<u>Support Services:</u>	
Pupils	251,785
Instructional Staff	277,611
Board of Education	17,618
Administration	379,941
Fiscal	222,776
Business	18,897
Operation and Maintenance of Plant	398,016
Pupil Transportation	160,891
Central	21,501
Non-Instructional Services	157,949
Extracurricular Activities	176,505
Capital Outlay	11,441
Interest and Fiscal Charges	10,033
Total Expenses	<u>4,769,046</u>
Decrease in Net Assets	<u>\$ (151,185)</u>

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.

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Table 3 - Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
	<u> </u>	<u> </u>
Instruction	\$ 2,664,082	\$ 2,347,516
Support Services:		
Pupils	251,785	249,876
Instructional Staff	277,611	274,736
Board of Education	17,618	17,618
Administration	379,941	379,941
Fiscal	222,776	222,776
Business	18,897	18,897
Operation and Maintenance of Plant	398,016	398,016
Pupil Transportation	160,891	160,891
Central	21,501	21,501
Non-Instructional Services	157,949	59,073
Extracurricular Activities	176,505	83,573
Capital Outlay	11,441	11,441
Interest and Fiscal Charges	10,033	10,033
Total Expenses	<u>\$ 4,769,046</u>	<u>\$ 4,255,888</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 89 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. The remaining 11 percent are derived from tuition and fees, specific grants, and donations.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$4,586,087 and expenditures \$4,758,506. The overall change in fund balance was a decrease of \$172,419. This decrease was almost entirely related to changes which occurred within other governmental funds.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$4,430,198 while actual expenditures were \$4,280,397. The \$149,801 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$3,154,503 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.

**STRYKER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Debt

At June 30, 2004, the District had \$175,943 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, 2004, the District's overall legal debt margin was \$4,847,171, with an un-voted debt margin of \$53,857.

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

Current Issues

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

The district is currently operating in the first year of the state biennium budget. 47.5 percent of district revenue sources are from local funds, 48 percent from state funds and the remaining 4.5 percent is from federal funds. The total expenditure per pupil was calculated at \$7,617.

Over the past several years, the District has remained in a good financial position. In August 2003, the District passed a 1-mill continuing permanent improvement levy, to generate \$51,000 annually. This levy provides a source of funds for the financial operations and stability of the district. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the School District's Financial Management

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,283,248
Materials and Supplies Inventory	2,713
Accrued Interest Receivable	3,890
Accounts Receivable	7,219
Intergovernmental Receivable	35,859
Prepaid Items	18,956
Taxes Receivable	1,202,655
Income Taxes Receivable	211,766
Noncurrent Assets	
Nondepreciable Capital Assets	307,860
Depreciable Capital Assets, Net	<u>2,846,643</u>
Total Assets	5,920,809
LIABILITIES	
Current Liabilities	
Accounts Payable	20,823
Accrued Wages and Benefits Payable	361,792
Intergovernmental Payable	85,434
Matured Compensated Absences Payable	35,271
Deferred Revenue	1,087,983
NonCurrent Liabilities	
Long-Term Liabilities	
Due Within One Year	13,039
Due in More Than One Year	<u>470,218</u>
Total Liabilities	2,074,560
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,978,560
Restricted For:	
Debt Service	100,935
Other Purposes	97,527
Unrestricted	<u>669,227</u>
Total Net Assets	<u><u>\$ 3,846,249</u></u>

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

			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	\$ 2,276,144	\$ 109,106	\$ 81,293	\$ 13,200	\$ (2,072,545)
Special	368,337	-	109,967	-	(258,370)
Vocational	18,501	-	-	-	(18,501)
Adult/Continuing	1,100	-	3,000	-	1,900
Support Services:					
Pupils	251,785	-	1,909	-	(249,876)
Instructional Staff	277,611	-	2,875	-	(274,736)
Board of Education	17,618	-	-	-	(17,618)
Administration	379,941	-	-	-	(379,941)
Fiscal	222,776	-	-	-	(222,776)
Business	18,897	-	-	-	(18,897)
Operation and Maintenance of Plant	398,016	-	-	-	(398,016)
Pupil Transportation	160,891	-	-	-	(160,891)
Central	21,501	-	-	-	(21,501)
Non-Instructional Services	157,949	97,742	1,134	-	(59,073)
Extracurricular Activities	176,505	92,932	-	-	(83,573)
Capital Outlay	11,441	-	-	-	(11,441)
Interest and Fiscal Charges	10,033	-	-	-	(10,033)
Total Governmental Activities	<u>\$ 4,769,046</u>	<u>\$ 299,780</u>	<u>\$ 200,178</u>	<u>\$ 13,200</u>	(4,255,888)

General Revenues

Property Taxes, Levied for General Purposes	1,178,886
Property Taxes, Levied for Capital Outlay	46,480
Income Taxes	615,867
Grants and Entitlements not Restricted to Specific Programs	2,201,045
Gifts and Donations	6,342
Investment Earnings	20,789
Miscellaneous	35,294
	<u>35,294</u>

Total General Revenues 4,104,703

Change in Net Assets (151,185)

Net Assets Beginning of Year 3,997,434

Net Assets End of Year \$ 3,846,249

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,178,912	\$ 104,336	\$ 1,283,248
Materials and Supplies Inventory	-	2,713	2,713
Accrued Interest Receivable	3,890	-	3,890
Accounts Receivable	7,219	-	7,219
Due From Other Funds	28,023	100,935	128,958
Intergovernmental Receivable	-	35,859	35,859
Prepaid Items	18,956	-	18,956
Taxes Receivable	1,155,451	47,204	1,202,655
Income Taxes Receivable	<u>211,766</u>	<u>-</u>	<u>211,766</u>
Total Assets	<u>\$ 2,604,217</u>	<u>\$ 291,047</u>	<u>\$ 2,895,264</u>
LIABILITIES:			
Accounts Payable	\$ 20,176	\$ 647	\$ 20,823
Accrued Wages and Benefits	352,414	9,378	361,792
Due to Other Funds	-	128,958	128,958
Intergovernmental Payable	55,626	1,359	56,985
Matured Compensated Absences Payable	35,271	-	35,271
Deferred Revenue	<u>1,115,584</u>	<u>78,711</u>	<u>1,194,295</u>
Total Liabilities	<u>1,579,071</u>	<u>219,053</u>	<u>1,798,124</u>
FUND BALANCE:			
Reserved:			
Reserved for Encumbrances	27,772	3,213	30,985
Reserved for Prepaid Items	18,956	-	18,956
Reserved for Property Taxes	78,807	2,252	81,059
Reserved for Budget Stabilization	143,759	-	143,759
Unreserved, Undesignated, Reported in:			
General Fund	755,852	-	755,852
Special Revenue Funds	-	60,555	60,555
Debt Service Funds	-	100,935	100,935
Capital Projects Funds	<u>-</u>	<u>(94,961)</u>	<u>(94,961)</u>
Total Fund Balances	<u>1,025,146</u>	<u>71,994</u>	<u>1,097,140</u>
Total Liabilities and Fund Balances	<u>\$ 2,604,217</u>	<u>\$ 291,047</u>	<u>\$ 2,895,264</u>

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004**

Total Governmental Fund Balances		\$ 1,097,140
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Captial assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,154,503
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		106,312
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and therefore not reported in the funds.		(28,449)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds Payable	(175,943)	
Compensated Absences Payable	(307,314)	
	(483,257)	(483,257)
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 3,846,249</u></u>

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property Taxes	\$ 1,214,627	\$ 47,488	\$ 1,262,115
Income Taxes	576,927	-	576,927
Intergovernmental	2,136,931	243,733	2,380,664
Interest	20,756	33	20,789
Tuition and Fees	83,340	10,422	93,762
Rent	14,010	-	14,010
Extracurricular Activities	-	92,932	92,932
Gifts and Donations	1,000	5,342	6,342
Customer Sales and Services	1,334	97,742	99,076
Miscellaneous	30,414	4,880	35,294
Total Revenues	<u>4,079,339</u>	<u>502,572</u>	<u>4,581,911</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	2,148,811	58,635	2,207,446
Special	354,013	17,739	371,752
Vocational	16,320	720	17,040
Adult/Continuing	-	1,100	1,100
Support Services:			
Pupils	180,041	68,300	248,341
Instructional Staff	229,863	35,119	264,982
Board of Education	17,622	-	17,622
Administration	398,943	1,437	400,380
Fiscal	218,657	1,836	220,493
Business	20,105	-	20,105
Operation and Maintenance of Plant	361,610	44,990	406,600
Pupil Transportation	195,036	-	195,036
Central	14,530	6,979	21,509
Non-Instructional Services	-	148,296	148,296
Extracurricular Activities	113,326	77,831	191,157
Debt Service			
Principal Retirement	12,438	-	12,438
Interest and Fiscal Charges	10,033	-	10,033
Total Expenditures	<u>4,291,348</u>	<u>462,982</u>	<u>4,754,330</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(212,009)	39,590	(172,419)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	4,176	4,176
Transfers Out	(4,176)	-	(4,176)
Total Other Financing Sources and Uses	<u>(4,176)</u>	<u>4,176</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(216,185)	43,766	(172,419)
Fund Balance at Beginning of Year	<u>1,241,331</u>	<u>28,228</u>	<u>1,269,559</u>
Fund Balance at End of Year	<u>\$ 1,025,146</u>	<u>\$ 71,994</u>	<u>\$ 1,097,140</u>

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (172,419)

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

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

Capital Outlay - Depreciable Capital Assets	129,907	
Current Year Depreciation	(166,373)	
	(36,466)	(36,466)

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		(11,501)
---	--	----------

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

Intergovernmental	33,759	
Income Taxes	38,940	
Delinquent Property Taxes	(36,749)	
	35,950	35,950

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

12,438

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

Intergovernmental payable	(3,326)	
Compensated absences payable	24,139	
	20,813	20,813

Change in Net Assets of Governmental Activities **\$ (151,185)**

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:				
Property Taxes	\$ 1,152,955	\$ 1,210,798	\$ 1,208,317	\$ (2,481)
Income Taxes	677,623	637,623	649,760	12,137
Intergovernmental	2,065,357	2,126,903	2,136,931	10,028
Interest	35,000	35,000	21,297	(13,703)
Tuition and Fees	83,611	85,163	83,340	(1,823)
Rentals	12,500	12,500	14,010	1,510
Gifts and Donations	1,000	1,000	1,000	-
Customer Sales and Services	2,500	2,500	1,334	(1,166)
Miscellaneous	<u>3,550</u>	<u>3,550</u>	<u>5,552</u>	<u>2,002</u>
Total Revenues	4,034,096	4,115,037	4,121,541	6,504
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,261,665	2,155,623	2,132,391	23,232
Special	397,290	349,232	345,187	4,045
Vocational	18,232	19,299	14,224	5,075
Support Services:				
Pupils	161,254	183,859	179,377	4,482
Instructional Staff	232,501	253,770	228,805	24,965
Board of Education	29,873	25,448	17,682	7,766
Administration	407,930	410,900	393,906	16,994
Fiscal	220,373	221,183	215,751	5,432
Business	22,000	13,551	13,521	30
Operation and Maintenance of Plant	415,024	403,459	372,211	31,248
Pupil Transportation	226,526	225,707	199,878	25,829
Central	31,300	14,625	14,513	112
Extracurricular Activities	112,141	114,571	105,709	8,862
Debt Service:				
Principal	12,438	12,438	12,438	-
Interest	<u>10,033</u>	<u>10,033</u>	<u>10,033</u>	<u>-</u>
Total Expenditures	<u>4,558,580</u>	<u>4,413,698</u>	<u>4,255,626</u>	<u>158,072</u>
Excess of Revenues Over Expenditures	(524,484)	(298,661)	(134,085)	164,576
OTHER FINANCING SOURCES (USES):				
Transfers In	5,000	5,000	-	(5,000)
Refund of Prior Year Expenditures	6,500	6,500	24,771	18,271
Advances In	5,000	5,000	-	(5,000)
Transfers Out	(5,000)	(5,000)	(4,176)	824
Refund of Prior Year Receipts	(4,000)	(659)	(400)	259
Advances Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Total Other Financing Sources and Uses	<u>2,500</u>	<u>5,841</u>	<u>20,195</u>	<u>14,354</u>
Net Change in Fund Balances	(521,984)	(292,820)	(113,890)	178,930
Fund Balance at Beginning of Year	1,115,626	1,115,626	1,115,626	-
Prior Year Encumbrances Appropriated	<u>129,226</u>	<u>129,226</u>	<u>129,226</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 722,868</u>	<u>\$ 952,032</u>	<u>\$ 1,130,962</u>	<u>\$ 178,930</u>

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004**

	<u>Agency Fund</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ <u>13,266</u>
LIABILITIES	
Due to Students	\$ <u>13,266</u>

The accompanying notes are an integral part of these financial statements

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Board controls the District’s instructional support facilities staffed by 23 noncertified personnel, 42 certified teaching personnel and 5 administrative employees who provide services to 547 students. The District currently operates four instructional/support buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Stryker Local School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Stryker Local School District.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's only major fund is the General Fund.

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

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

Fiduciary Funds

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services, and rent.

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the general fund and at the fund level for the remaining funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2003.

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

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

Net Change in Fund Balance	
GAAP Basis	\$ (216,185)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received in Cash FY 2004	329,715
Accrued FY 2004, Not Yet Received in Cash	(281,417)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(361,259)
Accrued FY 2004, Not Yet Paid in Cash	463,206
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(47,950)
Budget Basis	<u>\$ (113,890)</u>

F. Cash and Investments

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

During fiscal year 2004, 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, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 was \$20,756.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

I. Restricted Assets

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of one thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

K. Compensated Absences

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

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave is paid.

L. Interfund Assets/Liabilities

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Energy conservation loans and capital leases are recognized as a liability on the fund financial statements when due.

N. Net Assets

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

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

O. Fund Balance Reserves

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

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

STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

P. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

A. Prior Period Adjustments

During the fiscal year ended June 30, 2004, the District restated governmental activities capital assets for depreciation. In addition, the governmental activities compensated absences payable balance at June 30, 2003 was restated due to the implementation of GASB Interpretation No. 6. Also during 2004, enterprise funds were reclassified as special revenue funds.

B. Changes in Accounting Principles

For fiscal year 2004, the District implemented the following:

- GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – For State and Local Governments*.
- GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus*.
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.
- GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.
- GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements split the District’s programs between business-type and governmental activities.

C. Restatement of Fund Balance/Retained Earnings

The changes to the beginning retained earnings/fund balance, as well as the transition from fund balance to net assets of the governmental activities are as follows:

**STRYKER LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

	General	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2003	\$ 1,230,029	\$ 33,954	\$ 1,263,983
GASB Statement No. 34 Adjustment:			
Change in Fund Structure	-	(12,156)	(12,156)
GASB Interpretation No. 6 Adjustment:			
Compensated Absences Payable	11,302	6,430	17,732
Adjusted Fund Balance	\$ 1,241,331	\$ 28,228	1,269,559
GASB Statement No. 34 Adjustments:			
Deferred Revenues			70,362
Capital Assets			3,202,470
Long-Term Liabilities			(544,957)
Governmental Activities Net Assets at June 30, 2003			\$ 3,997,434

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

A. Accountability

At June 30, 2004, the Food Service, Management Information, and Title I special revenue funds had deficit fund balances, in the amount of \$2,506, \$24, and \$397, respectively, resulting from adjustments for accrued liabilities. Also, the Permanent Improvement fund reported in the Capital Projects fund had a deficit fund balance in the amount of \$92,709. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when the accruals occur.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2004.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Special Revenue Funds			
Student Reading Intervention FY - 2004	\$ 11,302	\$ 11,452	\$ 150

The Board of Education is monitoring budgetary controls to avoid future violations of budgetary compliance.

NOTE 5 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

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Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

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The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At year end the carrying amount of the District's deposits was \$1,284,246 and the bank balance was \$1,302,197. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance and all remaining deposits were classified as Category 3.

B. Investments

The District's investments at June 30, 2004 are summarized below:

	<u>Category 1</u>	<u>Carrying Value/ Fair Value</u>
Noncategorized Investments		
STAR Ohio	N/A	12,277

The District's investment in the State Treasurer's pool (STAR Ohio) is not categorized or assigned a risk category because it is not evidenced by securities that exist in physical or book entry form.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

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	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No.9	\$ 1,297,283	\$ -
Cash on Hand	(760)	-
Investments:		
STAR Ohio	(12,277)	12,277
GASB Statement No.3	\$ 1,284,246	\$ 12,277

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Stryker Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2004, upon which the 2003 levies are based, were as follows:

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial	\$ 4,937,220	9.00%	\$ 5,088,540	10.00%
Agricultural/Residential	36,510,770	67.00%	37,398,520	69.00%
Public Utility	5,595,900	12.00%	5,543,160	10.00%
Tangible Personal Property	7,109,290	12.00%	5,827,240	11.00%
Total Assessed Value	\$ 54,153,180	100.00%	\$ 53,857,460	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 43.20		\$ 43.20	

**STRYKER LOCAL SCHOOL DISTRICT
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NOTE 7 – INCOME TAXES

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts, interest and intergovernmental receivables. All receivables are considered collectable in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Miscellaneous State Grants	\$ 2,100
Miscellaneous Federal	33,759
Total Intergovernmental Receivables	\$ 35,859

NOTE 9 – INTERFUND BALANCES

Following is a summary of interfund receivables/payables for all funds at June 30, 2004:

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

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2004:

	<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$ -	\$ 4,176
Nonmajor Governmental Funds:			
Uniform School Supply Fund		3,176	
Principal Fund		1,000	-
Total All Funds		\$ 4,176	\$ 4,176

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NOTE 11 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2004:

	Restated Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 307,860	\$ -	\$ -	\$ 307,860
Total Nondepreciable Capital Assets	307,860	-	-	307,860
Depreciable Capital Assets				
Land Improvements	155,804	-	-	155,804
Buildings and Building Improvements	2,936,572	-	-	2,936,572
Furniture, Fixtures, and Equipment	1,191,769	63,797	(18,614)	1,236,952
Vehicles	360,790	56,500	(67,920)	349,370
Books	805,113	9,610	-	814,723
Total Depreciable Capital Assets	5,450,048	129,907	(86,534)	5,493,421
Less Accumulated Depreciation				
Land Improvements	(127,691)	(12,641)	-	(140,332)
Buildings and Building Improvements	(1,250,029)	(46,771)	-	(1,296,800)
Furniture, Fixtures, and Equipment	(591,714)	(46,324)	13,905	(624,133)
Vehicles	(212,637)	(15,202)	61,128	(166,711)
Books	(373,367)	(45,435)	-	(418,802)
Total Accumulated Depreciation	(2,555,438)	(166,373)	75,033	(2,646,778)
Depreciable Capital Assets, Net	2,894,610	(36,466)	11,501	2,846,643
Governmental Activities Capital Assets, Net	\$ 3,202,470	\$ (36,466)	\$ 11,501	\$ 3,154,503

Depreciation expense was charged to governmental functions as follows:

	Amounts
Instruction:	
Regular	\$ 100,614
Special	3,109
Vocational	2,109
Support Services:	
Pupils	428
Instructional Staff	7,408
Administration	5,879
Fiscal	2,405
Operation and Maintenance of Plant	6,501
Pupil Transportation	15,202
Non-Instructional Services	3,513
Extracurricular Activities	7,764
Capital Outlay	11,441
Total Depreciation Expense	\$ 166,373

NOTE 12 - DEFINED BENEFIT PENSION PLANS AND POSTEMPLOYMENT BENEFITS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

STRYKER LOCAL SCHOOL DISTRICT
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The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215- 3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2004, (latest information available) 9.09% was allocated to fund the pension benefit and 4.91% to fund health care. The District's required contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$71,451, \$75,371, and \$72,767, respectively: 85.11 percent has been paid for the year ended 2004 and 100 percent has been paid for 2003 and 2002. The unpaid contribution for the year ended 2004, in the amount of \$10,640 is recorded as a liability. 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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2004 employer contribution rate (latest information available) that was used to fund health care for the year 2004 was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$52,997.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 62,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available) were \$223,443,805 and the target level was \$335.2 million. Net assets available for payment of benefits at June 30, 2004 was \$300.8 million.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a standalone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2004, (latest information available) 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$277,212, \$270,734, and \$264,649, respectively: 84.36 percent being paid in 2004 and 100 percent has been contributed for the years ended 2003 and 2002. The unpaid contribution for the year ended 2004 in the amount of \$43,352, is recorded as a liability.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2004, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$83,424 for the District. The balance of the Health Care Reserve Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004, the net health care costs paid by STRS were \$268,739,000. There were 111,853 eligible benefit recipients.

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, 2004, two of the five members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

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NOTE 13 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

NOTE 14 – GROUP PURCHASING POOLS

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

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

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

In fiscal year 2004, the Stryker Local School District contributed a total for all four plans \$407,473, which represented 1.5 percent of total contributions. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

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

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

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

	Balance at 6/30/03		Additions	Reductions	Balance at 6/30/04		Amounts due within One year
Notes payable	\$ 188,381	\$ -	\$ -	\$ 12,438	\$ 175,943	\$ 13,039	
SERS and SERS Surcharge	25,123	-	-	25,123	-	-	
Compensated Absences	331,453	307,314	-	331,453	307,314	-	
Total Governmental Activities long-term obligations	<u>\$ 544,957</u>	<u>\$ 307,314</u>	<u>\$ -</u>	<u>\$ 369,014</u>	<u>\$ 483,257</u>	<u>\$ 13,039</u>	

Debt outstanding at June 30, 2004 consisted of school improvement note totaling \$188,381 (interest rates at June 30, 2004 were 5.40 percent). The note was issued in September 1999 and will mature in September 2014.

Total expenditures for interest for the above debt for the period ended June 30, 2004 was \$10,033. The scheduled payments of principal and interest on the general obligation bonds as of June 30, 2004 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$ 13,039	\$ 9,628	\$ 22,667
2006	13,757	8,975	22,732
2007	14,566	8,166	22,732
2008	15,402	7,330	22,732
2009	16,328	6,404	22,732
2010-2014	97,222	16,443	113,665
2015	5,629	54	5,683
	<u>\$ 175,943</u>	<u>\$ 57,000</u>	<u>\$ 232,943</u>

NOTE 16 – STATUTORY RESERVES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2003	\$ (115,550)	\$ 7,449	\$ 143,759
Current Year Set Aside Requirement	73,945	73,945	-
Current Year Offsets	-	(46,711)	-
Qualifying Expenditures	(100,426)	(93,096)	-
Balance June 30, 2004	<u>\$ (142,031)</u>	<u>\$ (58,413)</u>	<u>-</u>
Amount Carried Forward to Fiscal Year 2005	<u>\$ (142,031)</u>	<u>\$ 0</u>	<u>143,759</u>

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

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

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

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

Northern Buckeye Education Council - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$24,882. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, Who serves as Treasurer, at 22-900 State Route 34, Archibold, Ohio 43502.

NOTE 18 – RISK MANANGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2004 the District contracted with several different insurance providers for various insurance coverages, as follows:

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

A. Comprehensive

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

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
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B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

NOTE 19 - CONTIGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. State School Funding

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

STEYER & CO.

Certified Public Accountants

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

Board of Education
Stryker Local School District
Stryker, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stryker Local School District, as of and for the year ended June 30, 2004, which collectively comprise the Stryker Local School District's basic financial statements and have issued our report thereon dated January 10, 2005 in which we noted the District implemented Government Accounting Standards Board Statement No. 34, 37, 38, and 39 as well as Government Accounting Standards Board Implementation No. 6. 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.

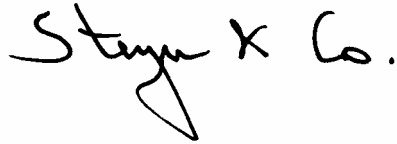
Compliance

As part of obtaining reasonable assurance about whether Stryker Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to the District's management in a separate letter dated January 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of or more of the financial control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to the District's management in a separate letter dated January 10, 2005.

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

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

STEYER & CO.

Defiance, Ohio
January 10, 2005



**Auditor of State
Betty Montgomery**

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STRYKER LOCAL CITY SCHOOL

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

MARCH 15, 2005