



Dave Yost • Auditor of State



STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 Stryker Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stryker Local School District, Williams County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2012, the District discontinued reporting in accordance with Accounting Principles Generally Accepted in the United States of American and began reporting on the cash basis of accounting..

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and

the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 28, 2014

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012  
Unaudited**

The discussion and analysis of the financial performance of Stryker Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

In total, net assets increased \$410,285.

General revenues accounted for \$4,944,807, or 85 percent of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$878,544, or 15 percent of total revenues of \$5,823,351.

The District's major funds include the General Fund and the Bond Retirement Fund.

The General Fund had \$4,359,038 in revenues and other financing sources and \$4,004,020 in expenditures. The General Fund's balance increased \$355,018 from the prior fiscal year.

The Bond Retirement Fund had \$461,649 in revenues and \$405,198 in expenditures. The Bond Retirement Fund's balance increased \$56,451 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

For the District, the General fund is by far the most significant fund. The General fund and the Bond Retirement Fund are the two major funds.

**Reporting the District as a Whole**

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

The statement of net assets and the statement of activities, both reported on the cash basis, reflect how the District performed financially during fiscal year 2012. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

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

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Fiscal Year Ended June 30, 2012  
Unaudited  
(Continued)**

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

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

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General fund and the Bond Retirement fund. While the District uses many funds to account for its financial transactions, these are the most significant.

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

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

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011.

<b>Table 1</b>		
<b>Net Assets – Cash Basis</b>		
<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>
<b><u>Assets:</u></b>		
Cash and Cash Equivalents	\$1,927,070	\$1,516,785
<b><u>Net Assets:</u></b>		
Restricted	\$674,465	\$619,198
Unrestricted	1,252,605	897,587
Total	\$1,927,070	\$1,516,785

As mentioned previously, net assets of governmental activities increased \$410,285 or 27% during 2012.

Table 2 reflects the changes in net assets for fiscal year 2012. This is the first year of implementation of the cash basis of accounting. Comparative figures are not available for fiscal year 2011. A comparative analysis will be provided in future years when prior year information is available

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Fiscal Year Ended June 30, 2012  
Unaudited  
(Continued)**

**Table 2  
Change in Net Assets – Cash Basis  
Governmental Activities**

	<b>2012</b>
<b>Revenues:</b>	
Program Revenues:	
Charges for Services and Sales	\$387,989
Operating Grants, Contributions and Interest	490,555
Total Program Revenues	<u>878,544</u>
General Revenues:	
Property Taxes	1,618,285
Income Taxes	792,640
Grants and Entitlements	2,464,710
Gifts and Donations	4,421
Interest	4,826
Miscellaneous	22,144
Refund of Prior Year Expenditures	37,781
Total General Revenues	<u>4,944,807</u>
Total Revenues	<u>5,823,351</u>
<b>Expenses:</b>	
Instruction	2,680,972
Support Services:	
Pupils	203,684
Instructional Staff	345,265
Board of Education	10,254
Administration	416,625
Fiscal	208,019
Business	9,934
Operation and Maintenance of Plant	371,012
Pupil Transportation	208,189
Central	66,773
Non-Instructional	188,955
Extracurricular Activities	190,502
Capital Outlay	81,439
Principal	219,733
Interest and Fiscal Charges	211,710
Total Expenses	<u>5,413,066</u>
Increase/(Decrease) in Net Assets	<u>\$410,285</u>

Program receipts account for 15 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 50 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 14 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent each. The remaining 29 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Fiscal Year Ended June 30, 2012  
Unaudited  
(Continued)**

Governmental Activities

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2012</b>	<b>2012</b>
Instruction	\$2,680,972	\$2,181,555
Support Services:		
Pupils	203,684	203,684
Instructional Staff	345,265	249,570
Board of Education	10,254	10,254
Administration	416,625	416,177
Fiscal	208,019	208,019
Business	9,934	9,934
Operation and Maintenance of Plant	371,012	370,162
Pupil Transportation	208,189	208,189
Central	66,773	63,896
Non-Instructional	188,955	529
Extracurricular Activities	190,502	99,671
Capital Outlay	81,439	81,439
Principal	219,733	219,733
Interest and Fiscal Charges	211,710	211,710
<b>Total Expenses</b>	<b>\$5,413,066</b>	<b>\$4,534,522</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 81 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General fund and the Bond Retirement fund. Total governmental funds had revenues and other financing sources of \$5,877,458 and expenditures and other financing uses of \$5,467,173. The net change in fund balance in the General fund reflects an increase of \$355,018. This was primarily due to overall receipts exceeding overall expenditures. The net change in fund balance in the Bond Retirement fund was an increase of \$56,451. This was primarily due to overall receipts exceeding overall expenditures.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the District amended its General Fund budget as needed.

Final estimated resources exceeded original estimated resources by \$194,108 (4.7%). Actual receipts exceeded final

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Fiscal Year Ended June 30, 2012  
Unaudited  
(Continued)**

estimated resources by \$6,439 (0.2%).

Final budget expenditures exceeded original budget expenditures by \$10,579 (0.3%). Final expenditures and other financing were less than final budget expenditures by \$4,892 (0.1%).

**Debt Administration**

At June 30, 2012, the District had \$5,395,859 in school improvement general obligation bonds, capital appreciation bonds and accretion on bonds for construction and building improvements. The bonds were issued in the amount of \$6,015,000 for a twenty-eight year period, with final maturity on January 15, 2035. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2012, the District's overall legal debt margin was (\$190,804) with an un-voted debt margin of \$57,834.

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

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Stryker is a small rural community of 1,341 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 42 percent of District revenue sources are from local funds, 50 percent is from state funds and the remaining 8 percent is from federal funds. The total expenditure per pupil was calculated at \$9,468.

Over the past several years, the District has remained in a good financial position. In March 2012, the District passed a 5.8 mill emergency levy for operating expenses, which is expected to collect \$335,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. The District will need to come back to the community for additional operating funds in the future due to reduced state funding, skyrocketing insurance premiums, rising utilities and basic operation increases, to a name a few.

**Contacting the District's Financial Management**

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

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**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Net Assets - Cash Basis  
June 30, 2012**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>1,927,070</u></u>
<b>Net Assets:</b>	
Restricted for Debt Service	382,025
Restricted for Capital Outlay	167,851
Restricted for Other Purposes	124,589
Unrestricted	<u>1,252,605</u>
<i>Total Net Assets</i>	\$ <u><u>1,927,070</u></u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>			
Instruction:			
Regular	\$ 2,259,913	\$ 197,132	\$ 157,989
Special	415,339		141,833
Vocational	148		2,463
Adult/Continuing	3,600		(3,600)
Student Intervention Services	1,972		(1,972)
Support Services:			
Pupils	203,684		(203,684)
Instructional Staff	345,265		95,695
Board of Education	10,254		(10,254)
Administration	416,625		448
Fiscal	208,019		(208,019)
Business	9,934		(9,934)
Operation and Maintenance of Plant	371,012	850	(370,162)
Pupil Transportation	208,189		(208,189)
Central	66,773		2,877
Operation of Non-Instructional Services	188,955	99,176	89,250
Extracurricular Activities	190,502	90,831	(529)
Capital Outlay	81,439		(99,671)
Debt Service:			
Principal	219,733		(81,439)
Interest and Fiscal Charges	211,710		(219,733)
<b>Totals</b>	<b>\$ 5,413,066</b>	<b>\$ 387,989</b>	<b>\$ 490,555</b>
<b>General Revenues:</b>			
Taxes:			
Property Taxes, Levied for General Purposes			1,083,566
Property Taxes, Levied for Capital Outlay			249,086
Property Taxes, Levied for Debt Service			285,633
Income Taxes			792,640
Grants and Entitlements not Restricted to Specific Programs			2,464,710
Gifts and Donations			4,421
Investment Earnings			4,826
Miscellaneous			22,144
Refund of Prior Year Expenditures			37,781
<i>Total General Revenues</i>			<b>4,944,807</b>
<i>Change in Net Assets</i>			<b>410,285</b>
Net Assets Beginning of Year - Restated			<b>1,516,785</b>
<i>Net Assets End of Year</i>			<b>\$ 1,927,070</b>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2012**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,252,605</u>	\$ <u>382,025</u>	\$ <u>292,440</u>	\$ <u>1,927,070</u>
<b>Fund Balances:</b>				
Restricted		\$ 382,025	\$ 164,228	\$ 546,253
Committed			128,212	128,212
Assigned	\$ 50,585			50,585
Unassigned	<u>1,202,020</u>			<u>1,202,020</u>
<i>Total Fund Balances</i>	\$ <u>1,252,605</u>	\$ <u>382,025</u>	\$ <u>292,440</u>	\$ <u>1,927,070</u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Cash Basis Receipts, Disbursements and Changes in Cash Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 1,083,566	\$ 285,633	\$ 249,086	\$ 1,618,285
Income Tax	657,948	134,692		792,640
Intergovernmental	2,356,153	41,324	557,788	2,955,265
Interest	4,788		38	4,826
Tuition and Fees	197,132			197,132
Rent	850			850
Extracurricular Activities			90,086	90,086
Gifts and Donations	53		4,368	4,421
Customer Sales and Services	745		99,176	99,921
Miscellaneous	20,824		1,320	22,144
<i>Total Receipts</i>	4,322,059	461,649	1,001,862	5,785,570
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,095,867		164,046	2,259,913
Special	273,506		141,833	415,339
Vocational	148			148
Adult/Continuing			3,600	3,600
Student Intervention Services	1,972			1,972
Support Services:				
Pupils	203,684			203,684
Instructional Staff	156,932		188,333	345,265
Board of Education	10,254			10,254
Administration	416,177		448	416,625
Fiscal	188,286	8,488	11,245	208,019
Business	9,934			9,934
Operation and Maintenance of Plant	308,966		62,046	371,012
Pupil Transportation	136,289		71,900	208,189
Central	62,576		4,197	66,773
Operation of Non-Instructional Services			188,955	188,955
Extracurricular Activities	104,696		85,806	190,502
Capital Outlay			81,439	81,439
Debt Service:				
Principal	34,733	185,000		219,733
Interest		211,710		211,710
<i>Total Disbursements</i>	4,004,020	405,198	1,003,848	5,413,066
<i>Excess of Receipts Over (Under) Disbursements</i>	318,039	56,451	(1,986)	372,504
<b>Other Financing Sources and Uses:</b>				
Transfers In			54,107	54,107
Refund of Prior Year Expenditures	36,979		802	37,781
Transfers Out			(54,107)	(54,107)
<i>Total Other Financing Sources and Uses</i>	36,979		802	37,781
<i>Net Change in Fund Balances</i>	355,018	56,451	(1,184)	410,285
Fund Balances at Beginning of Year - Restated	897,587	325,574	293,624	1,516,785
Fund Balances at End of Year	\$ 1,252,605	\$ 382,025	\$ 292,440	\$ 1,927,070

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements and Changes  
In Fund Balance - (Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 1,057,820	\$ 1,083,566	\$ 1,083,566	
Income Tax	621,555	657,948	657,948	
Intergovernmental	2,238,600	2,356,153	2,356,153	
Interest	6,000	4,553	4,788	\$ 235
Tuition and Fees	182,200	187,304	187,304	
Rent	500	850	850	
Customer Sales and Services		745	745	
Miscellaneous	1,700	7,885	14,089	6,204
<i>Total Receipts</i>	4,108,375	4,299,004	4,305,443	6,439
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,082,931	2,085,872	2,085,873	(1)
Special	244,475	274,436	273,506	930
Vocational	500	148	148	
Student Intervention Services	3,748	1,972	1,972	
Other			175	(175)
Support Services:				
Pupils	217,980	231,000	231,000	
Instructional Staff	149,546	157,534	156,981	553
Board of Education	25,599	10,504	10,504	
Administration	421,634	416,177	416,177	
Fiscal	198,673	193,536	193,536	
Business	7,800	9,934	9,934	
Operation and Maintenance of Plant	328,192	310,574	308,966	1,608
Pupil Transportation	141,881	140,089	137,089	3,000
Central	65,483	62,576	62,576	
Extracurricular Activities	95,539	100,417	100,417	
Debt Service:				
Principal	33,819	33,642	34,733	(1,091)
Interest	100	68	68	68
<i>Total Disbursements</i>	4,017,900	4,028,479	4,023,587	4,892
<i>Excess of Receipts Over Disbursements</i>	90,475	270,525	281,856	11,331
<b>Other Financing Sources and Uses:</b>				
Refund of Prior Year Expenditures	33,500	36,979	36,979	
Transfers Out	(5,000)	(5,000)	(5,000)	
<i>Total Other Financing Sources and Uses</i>	28,500	31,979	31,979	
<i>Net Change in Fund Balance</i>	118,975	302,504	313,835	11,331
Fund Balance at Beginning of Year	861,401	861,401	861,401	
Prior Year Encumbrances Appropriated	26,782	26,782	26,782	
Fund Balance at End of Year	\$ 1,007,158	\$ 1,190,687	\$ 1,202,018	\$ 11,331

See Accompanying Notes to the Basic Financial Statements

STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

Statement of Fiduciary Assets and Liabilities - Cash Basis  
Fiduciary Funds  
June 30, 2012

	<u>Agency Fund</u>
<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>10,259</u>
<b>Liabilities:</b>	
Current Liabilities:	
Due to Students	\$ <u>10,259</u>

See Accompanying Notes to the Basic Financial Statements

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Stryker Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Stryker Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's one instructional/support facilities staffed by 19 non-certified and 32 certified full-time teaching personnel who provide services to 448 students and other community members.

**The Reporting Entity**

**A. Primary Government**

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

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

**C. Jointly Governed Organizations and Purchasing Pools**

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a basis or draws from the District's general receipts.

**2. 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.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**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.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**B. Fund Accounting (Continued)**

**1. Governmental Funds:**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General fund and the Bond Retirement fund are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement fund is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

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

**2. 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 various student managed activities.

**C. Basis of Accounting**

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**D. Budgetary Process**

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below these levels are made by the District's Chief Fiscal Officer.

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

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

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed 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 succeeding fiscal year and need not be reappropriated.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. 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" on the financial statements.

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

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**E. Cash and Investments (Continued)**

Investments are reported as assets. Accordingly, the purchase of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2012, investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates 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, 2012.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 was \$4,788, which includes \$1,662 assigned from other District funds.

**F. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Compensated Absences**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**K. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**L. Net 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 resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

**Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

**Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**M. Fund Balance (Continued)**

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

**A. Change in Basis of Accounting**

For 2012, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2.C.

**B. Restatement of Fund Equity**

The implementation of the reporting change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>
Fund Balance, June 30, 2011	\$851,003	\$348,939	\$344,071
Eliminate Asset Accruals	(1,423,116)	(289,948)	(389,982)
Eliminate Liability Accruals	1,469,700	266,583	339,535
Restated Fund Balance, June 30, 2011	<u>\$897,587</u>	<u>\$325,574</u>	<u>\$293,624</u>
Governmental Activities Net Assets June 30, 2011			\$10,770,902
Eliminate Government-Wide Financial Statement Adjustments:			
Material and Supplies Inventory			(7,612)
Accrued Interest Receivable			(796)
Accounts Receivable			(148)
Intergovernmental Receivable			(173,318)
Prepaid Items			(1,786)
Taxes Receivable			(1,594,629)
Income Taxes Receivable			(324,757)
Capital Assets			(14,791,582)
Accrued Wages and Benefits			295,548
Intergovernmental Payable			100,030
Matured Compensated Absences Payable			20,169
Deferred Revenue			1,364,429
Long Term Liabilities			5,860,335
Adjusted Governmental Activities Net Assets June 30, 2011			<u>\$1,516,785</u>

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted, committed, or assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General fund:

<b>Net Change in Fund Balance</b>	<b>General Fund</b>
Cash Basis (as Reported)	\$355,018
Outstanding Encumbrances	(37,318)
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(3,865)
Budgetary Basis	\$313,835

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).
8. Bankers' acceptances and commercial paper, if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At June 30, 2012, the carrying amount of all District deposits was \$1,936,890. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,710,920 of the District's bank balance of \$2,032,426 was exposed to custodial risk as discussed below, while \$321,506, was covered by Federal Deposit Insurance Corporation.

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

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Investments

As of June 30, 2012, the District had the following investments.

	Cost	Investment Maturities 6 months or less
STAR Ohio	\$439	\$439

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

Credit Risk – Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasury or qualified trustee.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer, however state statute limits investments in commercial paper and bankers' acceptance to 25 percent of interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the District at June 30, 2012:

STAR Ohio	100%	100%
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Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the financial statement as of June 30, 2012:

<u>Cash and Investments per Footnote</u>	
Carrying amount of deposits	\$1,936,890
Investments	439
Total	\$1,937,329
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental Activities	\$1,921,070
Agency Funds	10,259
Total	\$1,937,329

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<b>2011 Second- Half Collections</b>		<b>2012 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Commercial/Industrial	\$7,562,200	13%	\$7,621,940	13%
Agricultural/Residential	45,980,730	80%	46,045,960	80%
Public Utility	4,279,340	7%	4,166,020	7%
Total Assessed Value	<u>\$57,822,270</u>	<u>100%</u>	<u>\$57,833,920</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.60		\$45.60	

**7. INCOME TAX**

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax and is credited to the General Fund. The District levies a voted tax of .25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2006, and is a continuing tax and is credited to the General Fund. Also, the District levies a .25 percent for the retirement of bonds, on the income of residents and of estates. The tax was effective on January 1, 2006, and is a continuing tax and is credited to the Bond Retirement Fund. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual school district income tax return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Bond Retirement Fund.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets errors and omissions; and natural disasters. During fiscal year 2012 the District contracted with Hylant Administrative Services of the Ohio School Plan Insurance for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio School Plan	Automobile	\$250/500
Ohio School Plan	Property	\$1,000
Ohio School Plan	Education Liability	\$2,500

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100 percent co-insured. Settled claims have not exceeded this commercial coverage in any of the past three years, and there have been no significant reductions in insurance coverage from last year.

**B. Employee Insurance Benefits Program**

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI) to form the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (see Note 16). 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.

**STRYKER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. DEFINED PENSION BENEFIT PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Recourses.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$81,732, \$85,624, and \$72,319, respectively; 87 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options - 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**B. State Teachers Retirement System (Continued)**

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$248,591, \$254,904, and \$260,593, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$289 made by the District and \$207 made by plan members.

**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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**10. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (STRS) administers two postemployment benefit plans.

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,827, \$5,092, and \$3,874, respectively; 87 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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(Continued)**

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 401h. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,507, \$9,581, and \$21,489 respectively; 29 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$19,122, \$19,608, and \$18,614, respectively; 84

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

percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**11. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 30 percent of the accumulated sick leave to a maximum of 63 days, except that those employees who elect to retire within twelve months of the earliest permissible retirement date shall be paid 50 percent of the accumulated sick leave to maximum of 40 days.

**B. Health Care Benefits**

The District provides employee health care, vision, and life benefits through membership in the Northern Buckeye Health Plan; Northwest Division of Optimal Health Initiative Consortium. Vision insurance is provided through Vision Service Plan. Monthly payments are made to NBEC for health, dental, vision, and life insurance coverages. The employees share the cost of the monthly premiums with the Board.

**12. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2012, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	<b>Balance at 6/30/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/12</b>	<b>Amounts Due Within One Year</b>
Governmental Activities:					
School Facilities Improvement Bonds, Series 2006A					
Serial Bonds	\$120,000		\$120,000		
Term Bonds	3,695,000			3,695,000	
Capital Appreciation Bonds	145,000			145,000	\$55,020
Accretion on Bonds	88,920	\$29,294		118,214	
School Facilities Improvement Bonds, Series 2006B					
Serial Bonds	135,000		65,000	70,000	70,000
Term Bonds	1,215,000			1,215,000	
Capital Appreciation Bonds	65,000			65,000	
Accretion on Bonds	63,920	23,725		87,645	
Notes Payable	34,733		34,733		
<b>Total Governmental Activities</b>	<b><u>\$5,562,573</u></b>	<b><u>\$53,019</u></b>	<b><u>\$219,733</u></b>	<b><u>\$5,395,859</u></b>	<b><u>\$125,020</u></b>

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Debt outstanding at June 30, 2012 of school facilities bonds of \$3,840,000 (interest rates of 4.0 to 4.3 percent). The bonds were issued in December 2006 and will mature in January 2035.

The District had school facilities bonds of \$1,350,000 (interest rates of 4.0 to 4.2 percent). The bonds were issued in December 2006 and will mature in January 2030.

**School Facilities Improvement Bonds, Series 2006A**

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

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

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

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

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

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

The balance of the principal of the 2023 Term Bonds (\$160,000) shall be payable at their maturity on January 15, 2023.

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The balance of the principal of the 2025 Term Bonds (\$175,000) shall be payable at their maturity on January 15, 2025.

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
January 15, 2026	\$185,000

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

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

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

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

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

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

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

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

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

The value of the capital appreciation bonds reported at June 30, 2012 was \$145,000. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$118,214 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

**School Facilities Improvement Bonds, Series 2006B**

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
January 15, 2013	\$70,000	4.00%

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

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

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

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

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

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

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

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

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

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

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

The value of the capital appreciation bonds reported at June 30, 2012 was \$65,000. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$87,645 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Total expenditures for interest for the above debt for the period ended June 30, 2012 was \$211,710.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The scheduled payments of principal and interest on the bonds and notes as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$125,020	\$274,290	\$399,310
2014	68,935	332,576	401,511
2015	59,374	342,136	401,510
2016	139,541	261,969	401,510
2017	142,130	259,380	401,510
2018 – 2022	1,120,000	869,950	1,989,950
2023 – 2027	1,360,000	628,350	1,988,350
2028 – 2032	1,415,000	331,820	1,746,820
2033 – 2035	760,000	66,435	826,435
Total	<u>\$5,190,000</u>	<u>\$3,366,906</u>	<u>\$8,556,906</u>

The schedule on the yearly accretion of capital appreciation bonds, as of June 30, 2012 is as follows:

<u>Year Ending June 30,</u>	<u>Beginning Balance</u>	<u>Yearly Accretion</u>	<u>Ending Balance</u>
2013	\$205,859	\$61,052	\$266,911
2014	266,911	70,349	337,260
2015	337,260	81,114	418,374
2016	418,374	46,626	465,000

**13. CAPITAL LEASES**

In prior years, the District entered into capitalized lease agreement for the acquisition of transportation equipment. The lease meets the criteria of a capital lease as defined by the Financial Accounting Standards Board, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the capital lease transaction is accounted for as a capital asset addition and other financing source or non-operating revenue in the appropriate fund, with a corresponding liability recorded in the governmental activities statement of net assets.

The lease was paid off in 2012. Principal and interest payments totaled \$18,338 and \$892, respectively, in the Permanent Improvement Fund, which is part of other governmental funds.

**14. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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

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	<b>Capital Acquisition</b>
Current Year Set-aside Requirement	\$77,649
Current Year Offsets	(318,782)
Qualifying Expenditures	(33,186)
Total	(\$274,319)

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. The District paid \$66,093 to NWOCA for various services. Financial information can be obtained from Duane Baker, Executive Director, 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. During fiscal year 2012, the District paid \$250 to NWOCA for its membership fee. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

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

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**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NWOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NWOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. During fiscal year 2012, the District paid \$175 to NWOERC for various services. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**16. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the District's local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

In fiscal year 2012, the District contributed a total of \$169,470 to Northern Buckeye Education Council for all employee insurance plans. Financial information for the period July 1, 2011 through December 31, 2011 can be obtained from Robin Pfund, Treasurer, at 209 Nolan Parkway, Archbold, OH 43502.

In fiscal year 2012, the District contributed a total of \$242,010 to Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, OH 45242.

**B. Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$468 to the WCGRP to cover the costs of administering the program.

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**C. Ohio School Plan**

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 300 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$5,351,369	\$4,280,876
Liabilities	2,734,952	1,812,420
Members' Equity	2,616,417	2,468,456

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**17. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

**B. Litigation**

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

**18. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Scholarships			\$398	\$398
Athletics			60,428	60,428
Food Service Operations			18,843	18,843
Facilities Maintenance			44,920	44,920
Debt Retirement		\$382,025		382,025
Permanent Improvements			39,639	39,639
Total Restricted		<u>382,025</u>	<u>164,228</u>	<u>546,253</u>
Committed for:				
Permanent Improvements			128,212	128,212
Assigned for:				
Educational Activities	\$13,267			13,267
Unpaid Obligations (encumbrances)	37,318			37,318
Total Assigned	<u>50,585</u>			<u>50,585</u>
Unassigned	<u>1,202,020</u>			<u>1,202,020</u>
Total Fund Balance	<u><u>\$1,252,605</u></u>	<u><u>\$382,025</u></u>	<u><u>\$292,440</u></u>	<u><u>\$1,927,070</u></u>

**19. INTERFUND TRANSFERS**

During fiscal year 2012, the Permanent Improvement and the Ohio School Facilities Commission Construction capital project funds transferred \$22,888 and \$31,219, respectively, to the Classroom Facilities Maintenance special revenue fund to satisfy its local maintenance requirement.

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stryker Local School District, Williams County, Ohio, (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and changed its method of accounting from generally accepted accounting principles to the cash basis of accounting.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstance to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

### ***Entity's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 28, 2014

**STRYKER LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code § 117-2-03(B)** which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. As such, we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

**FINDING NUMBER 2012-002**

**Material Weakness – Financial Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

“Committed” fund balances are established for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Education, (the Board). The Board approved using inside millage for future capital related purposes. These monies were placed into the Permanent Improvement - Inside Millage fund, special cost center (003-9001).

The District reported the fund, special cost center balance which is included in All Other Governmental Funds as “restricted” instead of “committed”. An adjustment in the amount of \$128,212 was made to the All Other Governmental Funds column to reclassify a portion of its fund balance from "Restricted" to "Committed".

In order to ensure the District’s governmental fund balances are reported in accordance with GASB 54, we recommend the District review Auditor of State Bulletin 2011-004.

**Officials' Response:**

Management will monitor reported governmental fund balance classifications more closely in the future to ensure proper reporting in accordance with GASB 54.



# Dave Yost • Auditor of State

**STRYKER LOCAL SCHOOL DISTRICT**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2014**