

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

SUSAN BEMENT, TREASURER



Dave Yost • Auditor of State

Board of Education
Keystone Local School District
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050

We have reviewed the *Independent Accountants' Report* of the Keystone Local School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2012

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**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Supplementary Schedule of Receipts and Expenditures of Federal Awards

Board of Education
Keystone Local School District
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050-9496

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 28, 2011. Our audit was performed to form opinions on the financial statements that collectively comprise the Keystone Local School District's basic financial statements taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was 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 whole.

Julian & Grube, Inc.
December 28, 2011

**KEYSTONE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(G) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Child Nutrition Cluster:				
(C)(D) School Breakfast Program	10.553	2011	\$ 12,502	\$ 12,502
(B)(D) National School Lunch Program - Food Donation	10.555	2011	22,121	22,121
(C)(D) National School Lunch Program	10.555	2011	147,767	147,767
Total National School Lunch Program			<u>169,888</u>	<u>169,888</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>182,390</u>	<u>182,390</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Title I Grant Cluster:				
(E) Title I Grants to Local Educational Agencies	84.010	2010	8,535	30,835
(E) Title I Grants to Local Educational Agencies	84.010	2011	149,833	146,661
Total Title I Grants to Local Educational Agencies			<u>158,368</u>	<u>177,496</u>
(E)(H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(2,953)	-
(E)(H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	77,724	67,352
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>74,771</u>	<u>67,352</u>
Total Title I Grant Cluster			<u>233,139</u>	<u>244,848</u>
Special Education Grant Cluster:				
(F)(H) Special Education_Grants to States	84.027	2010	(3,667)	343
(F)(H) Special Education_Grants to States	84.027	2011	346,411	346,411
Total Special Education _Grants to States			<u>342,744</u>	<u>346,754</u>
(F)(H) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	(376)	-
(F)(H) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	247,244	247,145
Total ARRA - Special Education Grants to States, Recovery Act			<u>246,868</u>	<u>247,145</u>
Total Special Education Grant Cluster			<u>589,612</u>	<u>593,899</u>
ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act	84.394	2011	528,688	497,440
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	-	96
(H) Educational Technology State Grants	84.318	2010	(800)	-
(H) Educational Technology State Grants	84.318	2011	1,429	125
Total Educational Technology State Grants			<u>629</u>	<u>125</u>
(H) Improving Teacher Quality State Grants	84.367	2010	(2,734)	121
(H) Improving Teacher Quality State Grants	84.367	2011	85,767	83,930
Total Improving Teacher Quality State Grants			<u>83,033</u>	<u>84,051</u>
Total U.S. Department of Education			<u>1,435,101</u>	<u>1,420,459</u>
Total Federal Financial Assistance			<u>\$ 1,617,491</u>	<u>\$ 1,602,849</u>

continued

**KEYSTONE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) This schedule was prepared on the cash basis of accounting
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Cluster" in determining major programs
- (E) Included as part of "Title I Grant Cluster" in determining major programs
- (F) Included as part of "Special Education Grant Cluster" in determining major programs
- (G) OAKS did not assign pass-through numbers for fiscal year 2011
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	\$ 25,639	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		\$ 25,639
ARRA - Special Education Grants to States, Recovery Act	84.391	2010	\$ 6,976	
ARRA - Special Education Grants to States, Recovery Act	84.391	2011		\$ 6,976
Special Education Grants to States	84.027	2010	\$ 3,667	
Special Education Grants to States	84.027	2011		\$ 3,667
Educational Technology State Grants	84.318	2010	\$ 800	
Educational Technology State Grants	84.318	2011		\$ 800
Improving Teacher Quality State Grants	84.367	2010	\$ 2,734	
Improving Teacher Quality State Grants	84.367	2011		\$ 2,734
Totals			<u>\$ 39,816</u>	<u>\$ 39,816</u>



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Education
Keystone Local School District
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050-9496

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Keystone Local School District's basic financial statements and have issued our report thereon dated December 28, 2011. We noted that the Keystone Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Keystone Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Keystone Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Keystone Local School District's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Keystone Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education
Keystone Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Keystone Local School 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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Keystone Local School District's management in a separate letter dated December 28, 2011.

We intend this report solely for the information and use of management and Board of Education of the Keystone Local School District, federal awarding agencies and pass-through entities, and others within the Keystone Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 28, 2011



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education
Keystone Local School District
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050-9496

To the Board of Education:

Compliance

We have audited the compliance of the Keystone Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Keystone Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Keystone Local School District's major federal programs. The Keystone Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Keystone Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Keystone Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Keystone Local School District's compliance with those requirements.

In our opinion, the Keystone Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, *OMB Circular A-133* requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2011-KLSD-001.

Board of Education
Keystone Local School District

Internal Control Over Compliance

The Keystone Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Keystone Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Keystone Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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



Julian & Grube, Inc.
December 28, 2011

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education Grants to States (CFDA #84.027) and ARRA Special Education Grants to States, Recovery Act (CFDA #84.391); ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394)

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS - (Continued)		
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2011-KLSD-001
CFDA Title and Number	ARRA - State Fiscal Stabilization Fund (SFSF) - Educational States Grants, Recovery Act (CFDA #84.394)
Federal Award Number/Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding

34 CFR 80.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used.

At fiscal year-end, the District had \$31,248 of State Fiscal Stabilization Funds (SFSF) grants monies on hand. This amount exceeds their last advance from the Ohio Department of Education through the foundation settlement.

The District is not using effective cash management practices which could result in reduction of grant funding, return of grant funding, and/or payment of imputed interest of \$6 to the United States Department of Education.

We recommend that the District review Office of Management and Budget Circular A-133 regarding cash management requirements. We also recommend the District consult with Ohio Department of Education regarding the preferred method of disposition of the unspent grant funds. This will help to ensure compliance with cash management of Federal award programs and that proper action is taken.

Client Response: Compliance with all regulations and grant agreements is highly important to the District. The District will work diligently to ensure federal funds are timely spent in the future. Since the program no longer exists, the District shouldn't have any further issues.

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Keystone Local School District

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2011*



Board of Education
Keystone Local School District
Lagrange, Ohio

Jay Arbaugh
Superintendent



Susan Bement
Treasurer/CFO

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INTRODUCTORY SECTION

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**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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KEYSTONE LOCAL SCHOOL DISTRICT

December 28, 2011

Board of Education Members and Residents of the Keystone Local School District:

As the Treasurer of the Keystone Local School District (the “District”), I am pleased to submit to you this Comprehensive Annual Financial Report (CAFR) issued by the District. The CAFR for the fiscal year ended June 30, 2011 is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association (GFOA).

Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with management of the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds as well as the District as a whole. This report will provide the taxpayers of the District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be made available to all interested parties.

The basic financial statements of the District for the fiscal year ended June 30, 2011, were audited by Julian & Grube, Inc. whose opinion thereon is included at the beginning of the Financial Section of this report.

In addition to the financial audit a single audit was performed as required by the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations”. The single audit report is not included in the CAFR.

This transmittal letter is designed to provide historical information about the District, as well as complement the required Management’s Discussion and Analysis (MD&A, discussed below). Unless noted otherwise, the financial data in this transmittal letter is presented on the modified accrual basis of accounting. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A.

MD&A immediately follows the Independent Auditor’s Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Keystone Local School District

The District and its Facilities

The District is located in Lorain County, Ohio southwest of Cleveland. Encompassing 65 square miles, the District is made up of residents from communities within the townships of Lagrange, Penfield, Carlisle, New Russia, Pittsfield and Elyria, as well as the Village of Lagrange and the City of Elyria. The District is located primarily in residential and agricultural communities. The District’s facilities are comprised of Keystone Elementary School built in 1891, Keystone Middle School built in 1964, and Keystone High School built in 2006 under the Ohio School Facilities Expedited Local Partnership program. In August of 2009, the District completed construction on an all-weather track facility; the first step in a multi-phase athletic complex. On November 2, 2010, the District passed a 2.19 “No New Tax” bond levy for the construction of a new sixth through eighth grade middle school. This project will be completed in December of 2012. The District has been notified that it was also placed on the Ohio School Facilities Commission (OSFC) priority list for the construction of a new elementary school. With the completion of the middle school, the District’s share of the OSFC Master Plan will be fulfilled, allowing the construction of the new elementary school to be completely financed by the State. The District hopes to achieve its vision of offering students a completely new academic campus within the next two to three years.

Organizational Structure of the District

The District's Board of Education (the "Board") consists of five members as defined by Section 3313.02 of Ohio Revised Code. The Board serves as the taxing authority, contracting body and policy maker for the District. The Board adopts the annual operating budget and approves all expenditures of District monies.

The Superintendent is the chief administrative officer of the District, responsible for the leadership of both education and support operations. Mr. Jay Arbaugh has served as Superintendent of the District since April of 2010. The Treasurer/CFO is the chief financial officer of the District, responsible for maintaining records of all financial matters, issuing warrants in payment of liabilities incurred by the District, acting as custodian of all District funds and investing idle funds as specified by Ohio law. Phillip D. Butto IV, CPA, served as Treasurer/CFO of the District from 2006 - July of 2011. Ms. Susan Bement became Treasurer/CFO of the District effective August 1, 2011.

Educational Highlights & Strategy

The District achieved its goal of being designated "Excellent" on its State report card for the first time in fiscal year 2009 and was designated as such again in fiscal year 2010. In fiscal year 2011, the District received an overall "Effective" rating, with Keystone Elementary School being rated "Excellent with Distinction", Keystone Middle School being rated "Effective" and Keystone High School being rated "Excellent". The District was only four tenths (0.04) of a percent away from earning an overall "Excellent" rating for the third straight year.

The District formalized its academic strategy in the form of a district-wide Strategic Plan. Community focus groups were formed, District core beliefs were drafted and six key goals were developed in an effort to meet the District's vision of being recognized as "Excellent with Distinction" and one of the top three school districts in Lorain County by fiscal year 2014. Specifically these goals are as follows:

- By January 2009 develop a comprehensive (instructional, extracurricular, support services) Master Facility Plan.
- By June 2009 provide an effective system of communication both internally and externally.
- By August 2009 offer appropriate and extensive non-curricular activities at all levels.
- By June 2010 provide adequate funding necessary to implement the District's Strategic Plan.
- By December 2010 study the staffing needs of the District and make appropriate changes.
- By fiscal year 2014 enrich curriculum at all levels to reflect a diverse and competitive educational experience.

Economic Condition

Over the past nine years the District has been able to maintain a confident and stable financial position. This is primarily due to Gap and Transitional Aid funding provided by the State, healthy increases in reappraisal property tax revenue and periodic economizing of the District's operations. The District's conservative financial record has given it the ability to operate successfully without new funding from District voters. Of all school districts in Lorain County, the District has one of the lowest cost per pupil rates. However, economic changes in the real estate market and the State funding formula will make it necessary within the next few years to request new operating funds from voters. The recent downturn in the real estate market resulted in a residential valuation decline in recent calendar year values.

The Keystone Financial Advisory Committee has been formed as part of the District's Strategic Plan. This committee, made up of financially minded individuals from the community, was formed to seek financial guidance from members of the community and assist in communicating with the community on financial matters.

Long-Term Financial Planning

The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected local and State revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems. The District's current five-year forecast shows a solid cash position until fiscal year 2013. However, beginning in fiscal year 2012, District expenditures will significantly overtake revenues. If corrective measures are not implemented, this will inevitably drain cash reserves and place the District in financial unrest in fiscal year 2014.

Long-term projections show total revenue to be stable to slightly declining. Although local valuations have declined, due to national economic setbacks, local property taxes are stable. Long-term projections for State funding are expected to decline slightly over the next few years due to the implementation of a new State funding formula and the current economic status of the State budget. District enrollment has declined slightly over the last five years in conjunction with overall State trends. However, projected District enrollment over the next five years is expected to remain consistent, with recent declines mitigated by increases due to open enrollment. The District's five-year forecast is updated frequently for changes in local and State economic conditions.

Major Initiatives

The District is exploring several grant initiatives to continue its upward trend in academic performance without sacrificing financial stability. In fiscal year 2010 and fiscal year 2011, the District took advantage of approximately \$500,000 in American Recovery and Reinvestment Act (ARRA) funds. In addition, the District has taken a leading role in utilizing grant funds to finance its Project Lead the Way program. The District is also one of many districts in the State receiving Race to the Top funding. The District is in the very beginning stages of developing a plan to address the need for new operating funds in two to three years. These initiatives and others are a commitment by the District to proactively seek solutions to avoid financial pitfalls in the future.

The District will embark on two key facility initiatives in the coming years. First, with the passage of a "No New Tax" bond levy in November of 2010, the District began construction of its sixth through eighth grade middle school in the spring of 2011. Then, once given approval from the State, the District will begin the process of planning for an OSFC project to complete the District's campus with a new elementary school. This project will be entirely funded by the State. Also, in August of 2009, the District opened its new all-weather track. The District continues to explore alternative funding sources to complete a more expansive athletic complex in the future.

In regards to academics, the District will continue implementing the action steps outlined in its Strategic Plan with the goal of achieving the Ohio Department of Education designation of "Excellent with Distinction" and becoming one of the highest achieving districts in Lorain County.

Internal Accounting and Budgetary Control

The District's accounting system is organized on a "fund" basis. Each fund is a distinct self-balancing accounting entity. Fund financial reports for general governmental operations are presented on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized when goods and services are received.

In developing the District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The District utilizes a fully automated accounting system as well as an automated system for payroll. These systems, coupled with the manual review of each invoice prior to payment and each receipt, ensure that the financial information generated is both accurate and reliable.

In addition to the internal control structure mentioned above, the District maintains budgetary controls. All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are controlled by the Board at the fund level for all funds. Within the District's accounting system, a more stringent management budget is controlled at the object level within each function and fund. Budget transfers between and among budget accounts are approved by the Treasurer. All purchase order requests must be approved by the building principal or another appropriate supervisor and certified by the Treasurer. Necessary funds are then encumbered and purchase orders are released to vendors. Those requests that exceed the available appropriation are rejected until additional appropriations are secured.

The accounting system used by the District provides interim financial reports and transaction information that details year-to-date expenditures and encumbrances versus the original appropriation plus any supplemental appropriations passed to date. In addition to interim financial statements, each administrator and school principal is furnished daily reports showing the status of the budget accounts for which they are responsible.

As an additional safeguard, a blanket bond covers all employees, and a separate, higher limit bond covers certain individuals in policy-making roles.

The basis of accounting and the various funds utilized by the District are fully described in Note 2 of the financial statements. Additional information on the District's budgetary accounting can also be found in Note 2.

Financial Reporting

The basic financial statements for reporting on the District's financial activities are as follows:

Government-wide financial statements - These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by business enterprises. The government-wide statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

Fund financial statements - These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons - These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Reporting Entity

The District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations are Component Units." In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the District (the primary government) and its potential component units. Based upon the application of these criteria, the District has no component units and is not itself a component unit. The basic financial statements of the reporting entity include only those of the District (the primary government).

The District participates in certain organizations that are defined as jointly governed organizations and public entity risk pools. These organizations include the Lorain County Joint Vocational School District (JVS), the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council (LERC) and the Ohio Schools Council Association including the Workers' Compensation Group Rating Program. These organizations are presented in Note 2.A to the basic financial statements.

Awards

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Keystone Local School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

Acknowledgments

The publication of this report continues in the tradition of providing a high level of accountability of the District's finances to the taxpayers and other internal and external users. This accomplishment would not have been possible without the support and efforts of the entire staff of the Treasurer's office and various administrators and employees of the District. Assistance from the County Auditor's office, surrounding community administrators and other outside agencies made possible the fair presentation of statistical data.

Special appreciation is expressed to the accounting firm of Julian & Grube, Inc., for their assistance in preparing this financial report. Finally, sincere appreciation is extended to the Board of Education for its interest in and support of this project.

Respectfully submitted,

A handwritten signature in blue ink that reads "Susan C. Bement". The signature is written in a cursive style.

Ms. Susan C. Bement
Treasurer/CFO

**Keystone Local School District
List of Principal Officials
As of June 30, 2011**

Board of Education

Renee Mezera	President
Deborah Melda	Vice-President
Dennis Walter	Member
Ronald Sheldon	Member
Patricia Wakefield	Member

Administration

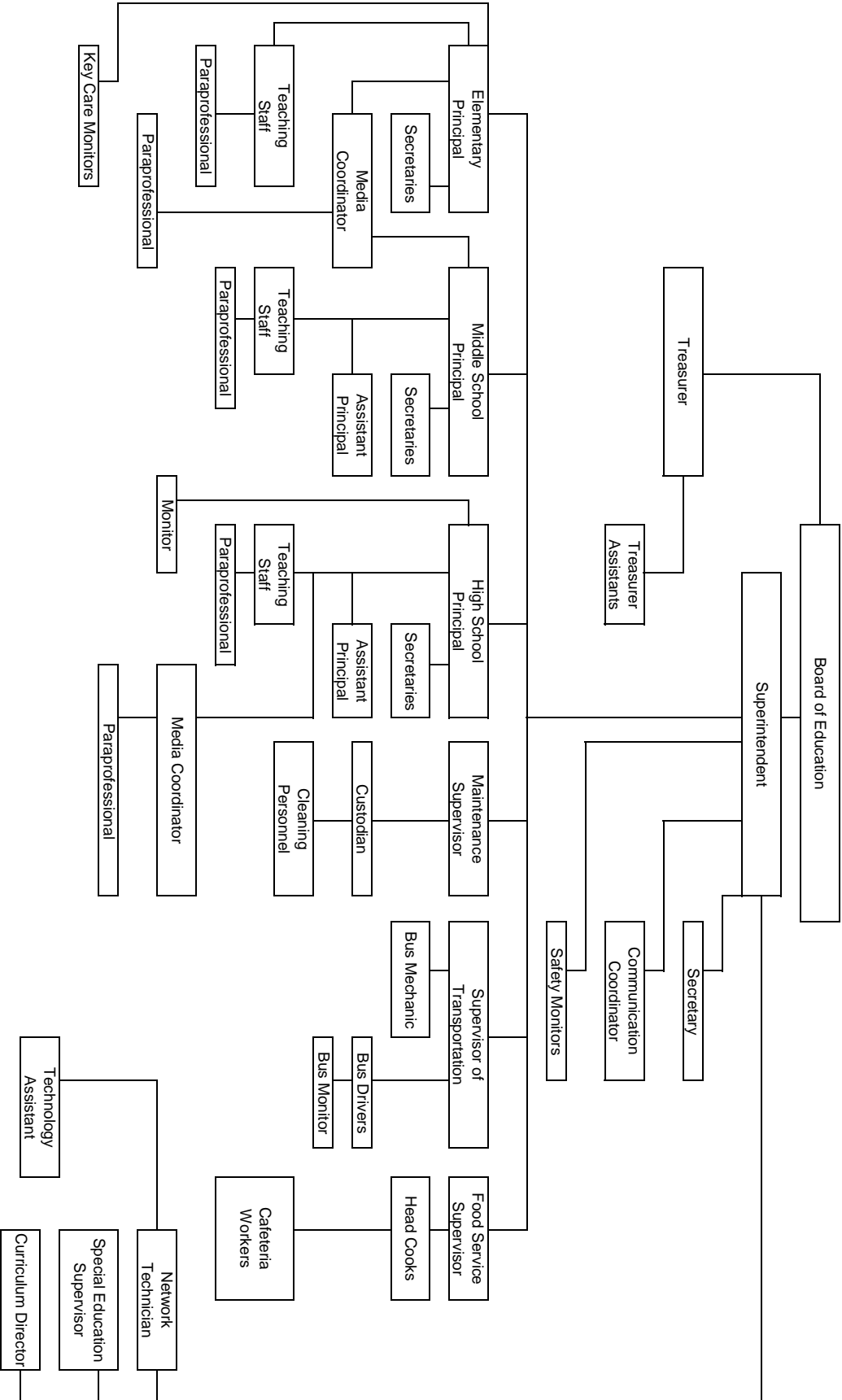
Jay Arbaugh	Superintendent
Dan White	Director of Curriculum & Instruction
Sarah Walker	Coordinator of Special Education
Thomas Clary	High School Principal
Timothy Jenkins	Middle School Principal
David Kish	Elementary School Principal
Michael Smith	Maintenance Supervisor
Jody White	Supervisor of Food Services
Margaret Miller	Supervisor of Transportation Services

Treasurer/CFO*

Phillip D. Butto IV
and
Susan Bement

* Phillip D. Butto IV acted as Treasurer/CFO of the District during fiscal year 2011 and Susan Bement became Treasurer/CFO of the District effective August 1, 2011.

KEYSTONE LOCAL SCHOOL DISTRICT ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Keystone Local School District
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson
President

Jeffrey L. Esser
Executive Director

FINANCIAL SECTION

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

Board of Education
Keystone Local School District
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050-9496

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Keystone Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Keystone Local School 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Keystone Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Independent Accountants' Report
Keystone Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the Keystone Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Keystone Local School District's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information provides additional analysis and are not a required part of the basic financial statements. The financial section's combining statements, individual fund statements and schedules 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 statements and schedules 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. We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.



Julian & Grube, Inc.
December 28, 2011

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The discussion and analysis of the Keystone Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- During fiscal year 2011, net assets of governmental activities increased \$297,521 from \$10,027,976 to \$10,325,497. This represents a 2.97% increase from June 30, 2010.
- General revenues accounted for \$14,372,458 in revenue or 80.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,561,212 or 19.86% of total revenues of \$17,933,670.
- The District had \$17,636,149 in expenses related to governmental activities; only \$3,561,212 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,372,458 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The District restated fund balances at June 30, 2010 as described in Note 3.B to the basic financial statements. The general fund had \$14,115,474 in revenues and other financing sources and \$14,037,174 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$78,300 from \$4,368,282 to \$4,446,582.
- The debt service fund had \$1,870,517 in revenues and other financing sources and \$2,049,094 in expenditures. During fiscal year 2011, the debt service fund's fund balance decreased \$178,577 from \$1,142,605 to \$964,028.
- The building fund had \$11,522,352 in revenues and other financing sources and \$695,396 in expenditures. During fiscal year 2011, the building fund's fund balance increased \$10,826,956 from \$3,486 to \$10,830,442.

Using these Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *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 the next 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 nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District as a Whole

Statement of net assets and the statement of activities

While this document contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change 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.

The statement of net assets and the statement of activities include the District's programs and services, including instruction, support services, extracurricular activities, food service operations and latchkey operations.

The District's statement of net assets and statement of activities can be found on pages 26 and 27 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 20. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund. All other governmental funds are considered nonmajor.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 28-32 of this report.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for students. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 33. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-65 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets		
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>	Percent <u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 26,018,832	\$ 15,059,689	72.77 %
Capital assets, net	<u>19,179,663</u>	<u>18,884,240</u>	1.56 %
Total assets	<u>45,198,495</u>	<u>33,943,929</u>	33.16 %
<u>Liabilities</u>			
Current liabilities	7,520,915	7,693,172	(2.24) %
Long-term liabilities	<u>27,352,083</u>	<u>16,222,781</u>	68.60 %
Total liabilities	<u>34,872,998</u>	<u>23,915,953</u>	45.81 %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,636,413	3,748,240	(2.98) %
Restricted	2,733,109	2,547,989	7.27 %
Unrestricted	<u>3,955,975</u>	<u>3,731,747</u>	6.01 %
Total net assets	<u>\$ 10,325,497</u>	<u>\$ 10,027,976</u>	2.97 %

The increases in assets and liabilities in fiscal year 2011 are a result of the District's issuance of school improvement general obligations bonds, which resulted in both additional investments and long-term liabilities.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$10,325,497. Of this total \$2,733,109 is restricted in use and \$3,636,413 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$3,955,975.

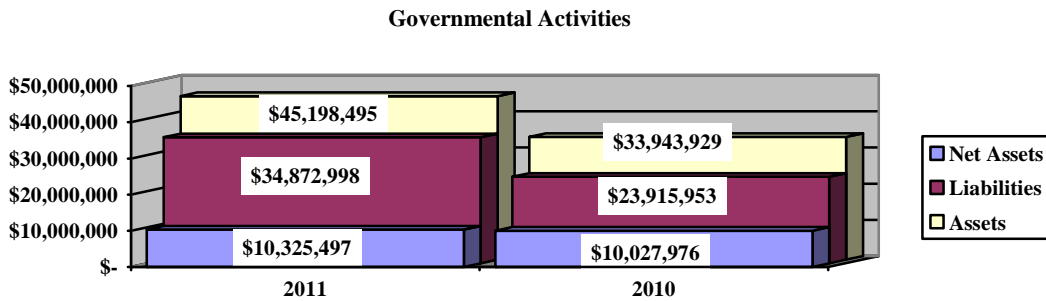
**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At year-end, capital assets represented 42.43% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$3,636,413. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,733,109, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,955,975 may be used to meet the District's ongoing obligations to the students and creditors.

The following graph shows the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010:



The table below shows the change in net assets for fiscal years 2011 and 2010.

	Change in Net Assets		Percent Change
	Governmental Activities 2011	Governmental Activities 2010	
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,171,789	\$ 1,027,424	14.05 %
Operating grants and contributions	2,389,423	1,602,926	49.07 %
Capital grants and contributions	-	5,000	(100.00) %
General revenues:			
Property taxes	6,538,167	6,225,490	5.02 %
Grants and entitlements	7,498,166	7,709,810	(2.75) %
Investment earnings	48,618	30,565	59.06 %
Other	<u>287,507</u>	<u>257,344</u>	11.72 %
Total revenues	<u>17,933,670</u>	<u>16,858,559</u>	6.38 %

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Change in Net Assets		<u>Percentage Change</u>
	Governmental	Governmental	
	Activities	Activities	
	<u>2011</u>	<u>2010</u>	
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 7,886,625	\$ 7,587,064	3.95 %
Special	1,705,354	1,626,780	4.83 %
Vocational	102,822	101,087	1.72 %
Other	91,730	114,886	(20.16) %
Support services:			
Pupil	1,005,556	886,994	13.37 %
Instructional staff	473,860	532,728	(11.05) %
Board of education	32,725	34,668	(5.60) %
Administration	1,216,788	1,238,876	(1.78) %
Fiscal	448,063	428,194	4.64 %
Operations and maintenance	1,173,432	1,326,992	(11.57) %
Pupil transportation	887,051	958,546	(7.46) %
Central	373,804	374,039	(0.06) %
Operations of non-instructional services:			
Food service operations	504,207	485,656	3.82 %
Latchkey operations	49,485	55,778	(11.28) %
Other non-instructional services	86,977	111,471	(21.97) %
Extracurricular activities	454,751	463,680	(1.93) %
Interest and fiscal charges	1,142,919	753,411	51.70 %
Total expenses	<u>17,636,149</u>	<u>17,080,850</u>	3.25 %
Change in net assets	297,521	(222,291)	(233.84) %
Net assets at beginning of year	<u>10,027,976</u>	<u>10,250,267</u>	(2.17) %
Net assets at end of year	<u>\$ 10,325,497</u>	<u>\$ 10,027,976</u>	2.97 %

Governmental Activities

Net assets of the District's governmental activities increased \$297,521. Total governmental expenses of \$17,636,149 were offset by program revenues of \$3,561,212 and general revenues of \$14,372,458. Program revenues supported 20.19% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 78.27% of total governmental revenue. The increase in operating grants and contributions is attributable to monies received during fiscal year 2011 related to the Pathway to Student Success program, which is administered through the Ohio Department of Education. The increase is also attributable to federal monies available during fiscal year 2011 related to the Education Jobs program.

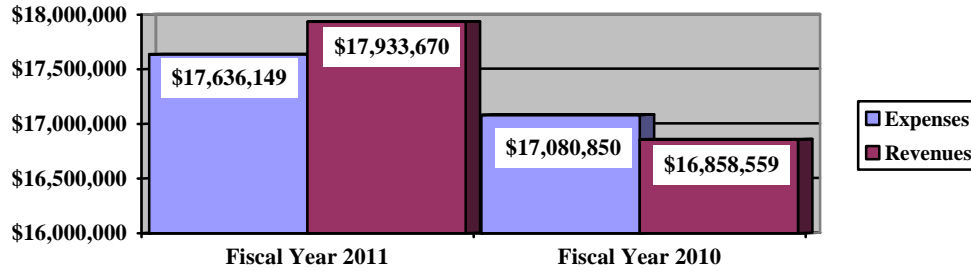
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,786,531 or 55.49% of total governmental expenses for fiscal year 2011.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 7,886,625	\$ 6,754,221	\$ 7,587,064	\$ 7,014,843
Special	1,705,354	880,305	1,626,780	1,206,261
Vocational	102,822	89,959	101,087	88,320
Other	91,730	74,600	114,886	80,307
Support services:				
Pupil	1,005,556	849,947	886,994	715,117
Instructional staff	473,860	329,561	532,728	447,719
Board of education	32,725	32,725	34,668	34,668
Administration	1,216,788	1,143,234	1,238,876	1,158,013
Fiscal	448,063	447,932	428,194	423,194
Operations and maintenance	1,173,432	909,218	1,326,992	1,065,805
Pupil transportation	887,051	832,049	958,546	857,145
Central	373,804	231,221	374,039	197,776
Operations of non-instructional services:				
Food service operations	504,207	(26,387)	485,656	(22,613)
Latchkey operations	49,485	(411)	55,778	8,126
Other non-instructional services	86,977	13,430	111,471	33,607
Extracurricular activities	454,751	370,414	463,680	383,801
Interest and fiscal charges	<u>1,142,919</u>	<u>1,142,919</u>	<u>753,411</u>	<u>753,411</u>
Total Expenses	<u>\$ 17,636,149</u>	<u>\$ 14,074,937</u>	<u>\$ 17,080,850</u>	<u>\$ 14,445,500</u>

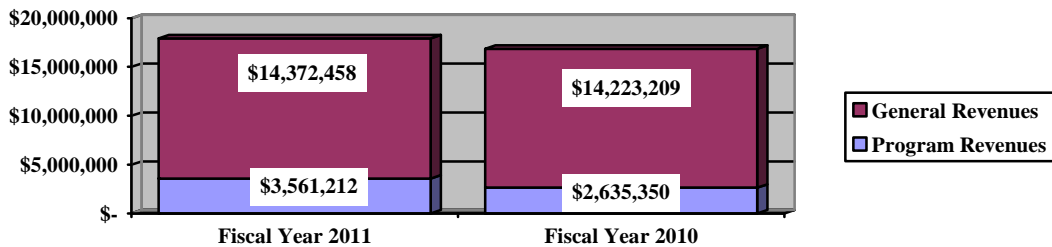
**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 79.69% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.81%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$17,683,500, which is greater than last year's total restated balance of \$6,783,473 (as described in Note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase/ (Decrease)
General Fund	\$ 4,446,582	\$ 4,368,282	\$ 78,300
Debt Service Fund	964,028	1,142,605	(178,577)
Building Fund	10,830,442	3,486	10,826,956
Other Governmental Funds	<u>1,442,448</u>	<u>1,269,100</u>	<u>173,348</u>
Total	<u>\$ 17,683,500</u>	<u>\$ 6,783,473</u>	<u>\$ 10,900,027</u>

General Fund

The District's general fund balance increased \$78,300. The table that follows assists in illustrating the financial activities of the general fund.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,311,279	\$ 4,886,808	\$ 424,471	8.69 %
Tuition	603,722	454,021	149,701	32.97 %
Earnings on investments	25,930	28,907	(2,977)	(10.30) %
Intergovernmental	7,380,778	7,571,972	(191,194)	(2.53) %
Other revenues	<u>421,397</u>	<u>409,143</u>	<u>12,254</u>	3.00 %
Total	<u>\$ 13,743,106</u>	<u>\$ 13,350,851</u>	<u>\$ 392,255</u>	2.94 %
<u>Expenditures</u>				
Instruction	\$ 8,565,886	\$ 8,387,083	\$ 178,803	2.13 %
Support services	4,690,256	4,892,881	(202,625)	(4.14) %
Operation of non-instructional services	49,485	55,778	(6,293)	(11.28) %
Extracurricular activities	296,963	290,713	6,250	2.15 %
Capital outlay	372,368	-	372,368	100.00 %
Debt service	<u>45,120</u>	<u>-</u>	<u>45,120</u>	100.00 %
Total	<u>\$ 14,020,078</u>	<u>\$ 13,626,455</u>	<u>\$ 393,623</u>	2.89 %

Overall revenues of the general fund increased \$392,255 or 2.94% during fiscal year 2011.

Tax revenue increased \$424,471 or 8.69%. This increase is primarily due to variances in the amount of tax advance that was available to the District from the County Auditor at the end of fiscal years 2011 and 2010. Tax advances available in the general fund at June 30, 2011 and June 30, 2010 were \$506,745 and \$266,117, respectively. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed. Tuition revenue increased \$149,701 or 32.97% mainly due to an increase in open enrollment receipts during fiscal year 2011. Intergovernmental revenue decreased \$191,194 or 2.53% primarily because of decreased foundation revenue provided to the District in fiscal year 2011.

Overall expenditures of the general fund increased \$393,623 or 2.89% during fiscal year 2011.

The main factors in the overall increase in general fund expenditures are increases in capital outlay and debt service expenditures. The District entered into a new capital lease obligation during fiscal year 2011, which was recorded in its entirety against capital outlay expenditures. As the District pays down the capital lease obligation, the payments will be shown as debt service expenditures. During fiscal year 2011, the District paid \$32,287 in principal and \$12,833 in interest on the capital lease obligation. All other expenditures remained comparable to fiscal year 2010, signifying the District's effort to remain fiscally responsible during difficult economic times.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Debt Service Fund

The District's debt service fund balance decreased \$178,577. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Increase</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 1,271,161	\$ 1,179,192	\$ 91,969	7.80 %
Intergovernmental	<u>372,481</u>	<u>178,708</u>	<u>193,773</u>	108.43 %
Total	<u>\$ 1,643,642</u>	<u>\$ 1,357,900</u>	<u>\$ 285,742</u>	21.04 %
<u>Expenditures</u>				
Support services	\$ 22,751	\$ 21,233	\$ 1,518	7.15 %
Debt service	<u>2,026,343</u>	<u>1,387,388</u>	<u>638,955</u>	46.05 %
Total	<u>\$ 2,049,094</u>	<u>\$ 1,408,621</u>	<u>\$ 640,473</u>	45.47 %

Tax and intergovernmental revenues are not quite sufficient to cover fiscal and debt service payments; however, the debt service fund has a sufficient fund balance of \$964,028 to withstand the shortfall. The increase in intergovernmental revenue is due to federal reimbursements for debt service payments made during fiscal year 2011. The increase in debt service expenditures is related to interest and fiscal charges and bond issuance costs on the District's fiscal year 2011 general obligations bond issuance.

Building Fund

The District's building fund balance increased \$10,826,956. The table that follows assists in illustrating the financial activities of the building fund.

	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Increase</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Earnings on investments	\$ 21,515	\$ -	\$ 21,515	100.00 %
Other revenues	<u>850</u>	<u>-</u>	<u>850</u>	100.00 %
Total	<u>\$ 22,365</u>	<u>\$ -</u>	<u>\$ 22,365</u>	100.00 %
<u>Expenditures</u>				
Facilities acquisition and construction	<u>\$ 695,396</u>	<u>\$ -</u>	<u>\$ 695,396</u>	100.00 %
Total	<u>\$ 695,396</u>	<u>\$ -</u>	<u>\$ 695,396</u>	100.00 %

During fiscal year 2011, the District received bond proceeds in the building fund related to school facilities construction projects. Earnings on investments made with the bond proceeds will be recorded in the building fund in future years and facilities acquisition and construction expenditures will be recorded as payments are made on the project. The building fund did not record any activity in fiscal year 2010.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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.

For the general fund, final budgeted revenues and other financing sources were \$13,358,380, which was less than the original budgeted revenues and other financing sources estimate of \$14,100,767. Actual revenues and other financing sources for fiscal year 2011 were \$13,368,816. This represents a \$10,436 increase from final budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$13,387,448, which is \$87,626 less than the original budgeted appropriations and other financing uses of \$13,475,074. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$13,247,708, which was \$139,740 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$19,179,663 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2011 balances compared to June 30, 2010:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 521,816	\$ 521,816
Construction in progress	695,396	-
Land improvements	2,704,100	2,856,413
Buildings and improvements	14,292,785	14,803,729
Furniture and equipment	634,566	326,363
Vehicles	331,000	375,919
Total	<u>\$ 19,179,663</u>	<u>\$ 18,884,240</u>

The overall increase in capital assets of \$295,423 is due to capital assets additions of \$1,163,719 exceeding depreciation expense of \$868,296 during fiscal year 2011.

See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$25,131,649 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also had \$340,081 and \$800,000 in capital lease obligations and lease-purchase agreement obligations outstanding, respectively. Of the total debt obligations outstanding at June 30, 2011, \$258,397 is due within one year and \$26,013,333 is due in more than one year.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table summarizes the bonds, accreted interest, capital lease obligations and lease-purchase agreement obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2011	Governmental Activities 2010
General obligation bonds	\$ 24,310,000	\$ 14,015,000
Capital appreciation bonds	674,987	275,000
Accreted interest	146,662	109,488
Capital lease obligation	340,081	-
Lease-purchase agreement	800,000	846,000
Total	<u>\$ 26,271,730</u>	<u>\$ 15,245,488</u>

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The short-term financial outlook for the District is positive. During the current fiscal year, revenues exceeded expenditures; however, revenues are projected to fall below the breakeven point in fiscal year 2012. The long term financial outlook (fiscal years 2013-2016) will be challenging as expenditures will outpace revenues at a faster rate each year. Throughout this period of time, the Board of Education and administration will closely monitor District revenues and expenditures in accordance with the District financial forecast and seek ways to improve the efficiency of the District budget through either alternative revenue sources and/or budget reductions.

The District obtains approximately 56% of its general fund revenue from the State of Ohio, 37% from local property taxes and 7% from other local sources. There are challenges ahead for the District on both the State and local fronts that will largely impact the financial future of the District.

The State funding formula was completely overhauled in the 2010-2011 biennium budget. Most notably, the District received 1% less funding in fiscal year 2010 and an additional 2% less State funding in fiscal year 2011. The District currently remains on the State transitional aid guarantee, but only at 98% of prior year funding. During the past biennium budget, the State suffered a serious budgetary shortfall. The administration of Governor John Kasich with the passage of HB153 (biennium budget for fiscal years 2012-2013) is proposing a new school funding formula that has not been formulated at this point. School districts will be funded in fiscal year 2012 based on a 'Bridge Formula' – a transitional formula until a new funding mechanism is implemented.

Locally, the District receives approximately 37% of its general fund revenue from local property taxes. Property taxes are driven by voted rates and property values. Local valuation growth is largely driven by a county auditor reappraisal/update conducted every three years. On average, this would yield a 12-14% increase in value for the District. However, with the recent severe crisis in the mortgage and real estate market, the District experienced a 5% decline in residential real estate values for its triennial update in calendar year 2009. This has resulted in the District lifting slightly off the 20-mil floor. Due to this, the District will not see a significant decline in property tax revenue as a result of the calendar year 2009 valuation decline. In addition to real property, the District receives tax revenue from personal property. Tangible personal property was completely phased out during calendar year 2010 with the exception of telephone tangible personal property. This revenue is being reimbursed from the State, but only through fiscal year 2012, amounting to a loss of approximately \$408,000 a year. These declines will necessitate the District to seek additional funding sources in the coming years.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The District has been well supported by its community. In 2003, the community passed a \$17.5 million bond issue to build a new high school. On November 2, 2010, the community again supported the District by passing a 2.19 "No New Tax" bond issue to finance the construction of its new middle school. The District has a clear and well defined plan to seek new operating dollars and prosper financially long term. The District has undergone an extensive strategic planning initiative that involved the community in establishing a common vision and direction for the District. A financial advisory committee will meet quarterly in an effort to engage business members in the community and seek financial guidance from a community perspective. This will ultimately lead to a proactive interest in the District's funding, the future solvency of the District, and the continued curricular success of the District's students.

In summary, with the challenges mentioned above, it is imperative the Board of Education and administration continue to monitor the District forecast and delineate measures to maintain a positive cash balance. At the same time, the District must consider the needs of every student as the most important stakeholder in the sound financial management of the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Susan Bement, Treasurer/CFO, Keystone Local School District, 301 Liberty Street, P.O. Box 65, LaGrange, Ohio 44050, or e-mail at Susan.Bement@keystone.k12.oh.us.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 18,658,685
Cash with fiscal agent.	5,000
Receivables:	
Taxes	6,617,069
Accounts.	32,182
Intergovernmental	451,265
Accrued interest	7,531
Prepayments	14,186
Materials and supplies inventory	11,084
Unamortized bond issuance costs.	221,830
Capital assets:	
Land and construction in progress	1,217,212
Depreciable capital assets, net	17,962,451
Capital assets, net	19,179,663
 Total assets	 45,198,495
 Liabilities:	
Accounts payable	30,177
Contracts payable	3,032
Accrued wages and benefits	1,138,591
Pension obligation payable	343,342
Intergovernmental payable	44,685
Accrued interest payable	118,712
Matured bond and interest payable.	5,000
Unearned revenue	5,837,376
Long-term liabilities:	
Due within one year.	490,931
Due in more than one year	26,861,152
 Total liabilities	 34,872,998
 Net Assets:	
Invested in capital assets, net	
of related debt	3,636,413
Restricted for:	
Capital projects.	1,104,973
Debt service	868,452
Locally funded programs	4,095
State funded programs	53,113
Federally funded programs	466,680
Student activities	18,146
Other purposes	217,650
Unrestricted	3,955,975
 Total net assets.	 \$ 10,325,497

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 7,886,625	\$ 671,489	\$ 460,915	\$ (6,754,221)
Special	1,705,354	3,072	821,977	(880,305)
Vocational	102,822	-	12,863	(89,959)
Other	91,730	-	17,130	(74,600)
Support services:				
Pupil.	1,005,556	8,032	147,577	(849,947)
Instructional staff	473,860	147	144,152	(329,561)
Board of education	32,725	-	-	(32,725)
Administration.	1,216,788	-	73,554	(1,143,234)
Fiscal.	448,063	-	131	(447,932)
Operations and maintenance	1,173,432	5,826	258,388	(909,218)
Pupil transportation.	887,051	-	55,002	(832,049)
Central	373,804	-	142,583	(231,221)
Operation of non-instructional services:				
Food service operations	504,207	350,391	180,203	26,387
Latchkey operations	49,485	49,896	-	411
Other non-instructional services	86,977	-	73,547	(13,430)
Extracurricular activities.	454,751	82,936	1,401	(370,414)
Interest and fiscal charges	1,142,919	-	-	(1,142,919)
Total governmental activities	\$ 17,636,149	\$ 1,171,789	\$ 2,389,423	(14,074,937)

General Revenues:	
Property taxes levied for:	
General purposes	5,098,704
Debt service.	1,221,080
Capital outlay.	218,383
Grants and entitlements not restricted	
to specific programs	7,498,166
Investment earnings	48,618
Miscellaneous	287,507
Total general revenues	14,372,458
Change in net assets	297,521
Net assets at beginning of year.	10,027,976
Net assets at end of year	\$ 10,325,497

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 5,552,929	\$ 837,326	\$ 10,832,723	\$ 1,435,707	\$ 18,658,685
Cash with fiscal agent.	-	5,000	-	-	5,000
Receivables:					
Taxes.	5,155,966	1,238,344	-	222,759	6,617,069
Accounts	32,162	-	-	20	32,182
Intergovernmental.	-	-	-	451,265	451,265
Accrued interest	4,636	-	2,895	-	7,531
Prepayments.	14,186	-	-	-	14,186
Materials and supplies inventory.	-	-	-	11,084	11,084
Total assets	<u>\$ 10,759,879</u>	<u>\$ 2,080,670</u>	<u>\$ 10,835,618</u>	<u>\$ 2,120,835</u>	<u>\$ 25,797,002</u>
Liabilities:					
Accounts payable	\$ 14,735	\$ -	\$ -	\$ 15,442	\$ 30,177
Contracts payable.	-	-	3,032	-	3,032
Accrued wages and benefits.	1,096,182	-	-	42,409	1,138,591
Compensated absences payable	99,022	-	-	-	99,022
Retirement incentive payable	88,156	-	-	-	88,156
Pension obligation payable	320,950	-	-	22,392	343,342
Intergovernmental payable	43,096	-	-	1,589	44,685
Matured bond and interest payable.	-	5,000	-	-	5,000
Deferred revenue	98,090	23,136	2,144	400,751	524,121
Unearned revenue.	4,553,066	1,088,506	-	195,804	5,837,376
Total liabilities.	<u>6,313,297</u>	<u>1,116,642</u>	<u>5,176</u>	<u>678,387</u>	<u>8,113,502</u>
Fund Balances:					
Nonspendable:					
Prepayments.	14,186	-	-	-	14,186
Materials and supplies inventory.	-	-	-	11,084	11,084
Restricted:					
Debt service	-	964,028	-	-	964,028
Capital improvements	-	-	10,830,442	1,067,816	11,898,258
Food service operations	-	-	-	212,133	212,133
Non-public schools	-	-	-	17,912	17,912
Targeted academic assistance	-	-	-	13,608	13,608
Extracurricular activities.	-	-	-	18,146	18,146
Other purposes.	-	-	-	100,872	100,872
Committed:					
Capital improvements	-	-	-	5,000	5,000
Student and staff support	20,000	-	-	-	20,000
Assigned:					
Student instruction	2,050	-	-	-	2,050
Student and staff support.	33,186	-	-	-	33,186
School supplies	13,816	-	-	-	13,816
Child care programs	24,472	-	-	-	24,472
Health and wellness	782,129	-	-	-	782,129
Future appropriations.	801,243	-	-	-	801,243
Unassigned (deficit)	2,755,500	-	-	(4,123)	2,751,377
Total fund balances	<u>4,446,582</u>	<u>964,028</u>	<u>10,830,442</u>	<u>1,442,448</u>	<u>17,683,500</u>
Total liabilities and fund balances	<u>\$ 10,759,879</u>	<u>\$ 2,080,670</u>	<u>\$ 10,835,618</u>	<u>\$ 2,120,835</u>	<u>\$ 25,797,002</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	17,683,500
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			19,179,663
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	123,628	
Accrued interest receivable		3,904	
Intergovernmental receivable		396,589	
Total			524,121
Unamortized premiums on bond issuances are not recognized in the funds.			(222,773)
Unamortized bond issuance costs are not recognized in the funds.			221,830
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(25,131,649)	
Capital lease obligation payable		(340,081)	
Lease-purchase agreement payable		(800,000)	
Compensated absences payable		(670,402)	
Accrued interest payable		(118,712)	
Total			(27,060,844)
Net assets of governmental activities		\$	10,325,497

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 5,311,279	\$ 1,271,161	\$ -	\$ 228,965	\$ 6,811,405
Tuition and fees	603,722	-	-	-	603,722
Charges for services	-	-	-	343,880	343,880
Earnings on investments	25,930	-	21,515	784	48,229
Extracurricular	8,179	-	-	81,145	89,324
Classroom materials and fees	62,951	-	-	-	62,951
Rental income	5,826	-	-	-	5,826
Contributions and donations	100	-	-	3,554	3,654
Contract services	7,888	-	-	-	7,888
Other local revenues	336,453	-	850	8,302	345,605
Intergovernmental - intermediate	-	-	-	10,055	10,055
Intergovernmental - state	7,332,186	181,756	-	136,909	7,650,851
Intergovernmental - federal	48,592	190,725	-	1,651,361	1,890,678
Total revenues	13,743,106	1,643,642	22,365	2,464,955	17,874,068
Expenditures:					
Current:					
Instruction:					
Regular	7,269,469	-	-	86,483	7,355,952
Special	1,118,252	-	-	587,164	1,705,416
Vocational	102,179	-	-	-	102,179
Other	75,986	-	-	15,744	91,730
Support services:					
Pupil	843,474	-	-	157,675	1,001,149
Instructional staff	349,974	-	-	120,536	470,510
Board of education	32,725	-	-	-	32,725
Administration	1,122,077	-	-	79,467	1,201,544
Fiscal	428,813	22,751	-	4,239	455,803
Operations and maintenance	855,612	-	-	256,825	1,112,437
Pupil transportation	818,420	-	-	24,442	842,862
Central	239,161	-	-	137,893	377,054
Operation of non-instructional services:					
Food service operations	-	-	-	493,375	493,375
Latchkey operations	49,485	-	-	-	49,485
Other non-instructional services	-	-	-	86,977	86,977
Extracurricular activities	296,963	-	-	84,504	381,467
Facilities acquisition and construction	-	-	695,396	91,409	786,805
Capital outlay	372,368	-	-	-	372,368
Debt service:					
Principal retirement	32,287	805,000	-	46,000	883,287
Interest and fiscal charges	12,833	995,428	-	35,970	1,044,231
Bond issuance costs	-	225,915	-	-	225,915
Total expenditures	14,020,078	2,049,094	695,396	2,308,703	19,073,271
Excess (deficiency) of revenues over (under) expenditures	(276,972)	(405,452)	(673,031)	156,252	(1,199,203)
Other financing sources (uses):					
Sale of bonds	-	-	11,499,987	-	11,499,987
Premium on bonds sold	-	226,875	-	-	226,875
Capital lease transaction	372,368	-	-	-	372,368
Transfers in	-	-	-	17,096	17,096
Transfers (out)	(17,096)	-	-	-	(17,096)
Total other financing sources (uses)	355,272	226,875	11,499,987	17,096	12,099,230
Net change in fund balances	78,300	(178,577)	10,826,956	173,348	10,900,027
Fund balances at beginning of year (restated)	4,368,282	1,142,605	3,486	1,269,100	6,783,473
Fund balances at end of year	\$ 4,446,582	\$ 964,028	\$ 10,830,442	\$ 1,442,448	\$ 17,683,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	10,900,027
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,163,719	
Current year depreciation	(868,296)	
Total		295,423
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(273,238)	
Earnings on investments	1,173	
Intergovernmental revenue	331,667	
Total		59,602
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in increased interest being reported on the statement of activities:		
Increase in accrued interest payable	(61,531)	
Accreted interest on "capital appreciation" bonds	(37,174)	
Amortization of bond premium	4,102	
Amortization of bond issuance costs	(4,085)	
Total		(98,688)
Issuance of bonds is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as revenues as it increases liabilities on the statement of net assets.		
		(11,499,987)
Capital lease transactions are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(372,368)
Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(226,875)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		225,915
Repayments of bonds, capital lease obligations and lease-purchase agreements are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		883,287
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		131,185
Change in net assets of governmental activities	\$	297,521

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 5,348,272	\$ 5,091,200	\$ 5,070,651	\$ (20,549)
Tuition and fees	612,723	464,552	580,917	116,365
Earnings on investments	26,333	25,496	24,966	(530)
Classroom materials and fees	58,436	50,962	55,403	4,441
Rental income	9,246	3,474	8,766	5,292
Contributions and donations	105	2	100	98
Contract services	8,320	7,257	7,888	631
Other local revenues	217,569	225,402	206,275	(19,127)
Intergovernmental - state	7,733,628	7,452,912	7,332,186	(120,726)
Intergovernmental - federal	51,252	5,966	48,592	42,626
Total revenues	14,065,884	13,327,223	13,335,744	8,521
Expenditures:				
Current:				
Instruction:				
Regular	6,969,660	6,933,598	6,867,139	66,459
Special	1,153,880	1,165,132	1,108,127	57,005
Vocational	102,949	103,780	101,779	2,001
Other	78,619	79,386	78,422	964
Support services:				
Pupil	733,395	740,238	774,917	(34,679)
Instructional staff	433,859	351,071	361,660	(10,589)
Board of education	43,722	44,148	36,682	7,466
Administration	1,112,469	1,121,731	1,135,796	(14,065)
Fiscal	401,961	405,208	406,379	(1,171)
Operations and maintenance	961,671	968,098	885,761	82,337
Pupil transportation	883,632	890,234	838,624	51,610
Central	224,210	206,120	230,221	(24,101)
Extracurricular activities	263,138	265,704	295,105	(29,401)
Total expenditures	13,363,165	13,274,448	13,120,612	153,836
Excess of revenues over expenditures	702,719	52,775	215,132	162,357
Other financing sources (uses):				
Refund of prior year expenditures	34,596	30,652	32,800	2,148
Sale of capital assets	287	505	272	(233)
Transfers (out)	(111,909)	(113,000)	(127,096)	(14,096)
Total other financing sources (uses)	(77,026)	(81,843)	(94,024)	(12,181)
Net change in fund balance	625,693	(29,068)	121,108	150,176
Fund balance at beginning of year (restated) . . .	4,491,995	4,491,995	4,491,995	-
Prior year encumbrances appropriated	40,309	40,309	40,309	-
Fund balance at end of year	\$ 5,157,997	\$ 4,503,236	\$ 4,653,412	\$ 150,176

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments.	\$ 43,098
Total assets.	<u>\$ 43,098</u>
Liabilities:	
Accounts payable.	\$ 313
Due to students.	42,785
Total liabilities.	<u>\$ 43,098</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Keystone Local School District, Lorain County, Ohio (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. The District operates under an elected Board of Education, consisting of five members and is responsible for the provision of public education to residents of the District.

The District is the 331st largest in the State of Ohio (among the 918 public school districts and community schools in the State) in terms of enrollment. It is staffed by 88 non-certified and 106 certified personnel to provide services to approximately 1,685 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Lorain County Joint Vocational School District (JVS)

The Lorain County Joint Vocational School District (JVS) is a distinct subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. Accordingly, the JVS is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio, 44074.

Lake Erie Education Computer Association (LEECA)

The Lake Erie Education Computer Association (LEECA) is a jointly governed organization among 35 school districts. The jointly governed 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 districts. Each of the governments of these schools supports LEECA based upon a per pupil charge, dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors which consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2011, the District paid \$57,329 in fees to LEECA. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of 14 school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge. The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2011, the District paid \$1,382,602 to LERC. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves at fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization comprised of one hundred and fifty-seven member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2011, the District paid \$61,000 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District also participates in the Council's Workers' Compensation Group Rating Program (GRP), which allows participating entities to achieve reduced premiums. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long term debt principal, interest and related cost.

Building fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded in this fund represent the costs of acquiring and improving capital facilities, including real property.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private-purpose trust funds, agency funds, pension trust funds and investment trust funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

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

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental funds. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Lorain County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflects the amounts in the original and final amended certificates of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control. Any revisions that alter the fund level must be approved by the Board of Education.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During fiscal year 2011, investments were limited to federal agency securities, repurchase agreement, negotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. 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 shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$25,930 which includes \$5,674 assigned from other District funds.

For presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 - 25 years
Buildings and improvements	20 - 50 years
Furniture/equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivable/payable”. These amounts are eliminated in the governmental column of the statement of net assets. As of June 30, 2011, the District did not have any interfund balances outstanding.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with fifteen or more years of service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. 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 the use of the resources in the governmental funds. The classifications are as follows:

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 could be used.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for food service operations and special trusts.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported in the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Interfund Activity

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

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Unamortized Bond Issuance Costs and Bond Premium

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 4,325,572	\$ 1,142,605	\$ 3,486	\$ 1,311,810	\$ 6,783,473
Fund reclassifications:					
Uniform school supplies fund	10,643	-	-	(10,643)	-
Public school support fund	<u>32,067</u>	<u>-</u>	<u>-</u>	<u>(32,067)</u>	<u>-</u>
Total fund reclassifications	<u>42,710</u>	<u>-</u>	<u>-</u>	<u>(42,710)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 4,368,282</u>	<u>\$ 1,142,605</u>	<u>\$ 3,486</u>	<u>\$ 1,269,100</u>	<u>\$ 6,783,473</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at June 30, 2010	\$ 5,651,938
Funds budgeted elsewhere	<u>(1,159,943)</u>
Restated balance at July 1, 2010	<u>\$ 4,491,995</u>

D. Deficit Fund Balance

Fund balances at June 30, 2011 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Title VI-B	\$ 4,123

The general fund is liable for any deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by 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 deposits are deposits of interim monies. 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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.

A. Cash with Fiscal Agent

At June 30, 2011, the District had \$5,000 held by a fiscal agent in a bond and coupon account. This amount is not included in "deposits with financial institutions" below.

B. Cash on Hand

At June 30, 2011, the District had \$100 in cash on hand. This amount is reported as "equity in pooled cash and investments" on the financial statements.

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$1,560,416, exclusive of the \$1,945,000 repurchase agreement mentioned below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$30,917 of the District's bank balance of \$1,804,232 was exposed to custodial risk as discussed below, while \$1,773,315 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2011, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 6,179,299	\$ 2,611,899	\$ 2,127,412	\$ 575,092	\$ 199,569	\$ 665,327
FHLB Discount Notes	3,966,942	-	3,966,942	-	-	-
FHLMC	1,085,023	-	-	749,984	-	335,039
FNMA	610,185	-	-	610,185	-	-
U.S. Treasury Bills	2,172,458	-	2,172,458	-	-	-
Negotiable CD's	411,021	210,119	200,902	-	-	-
Repurchase Agreement	1,945,000	1,945,000	-	-	-	-
U.S. Government						
Money Market Funds	20,499	20,499	-	-	-	-
STAR Ohio	750,840	750,840	-	-	-	-
Total	<u>\$ 17,141,267</u>	<u>\$ 5,538,357</u>	<u>\$ 8,467,714</u>	<u>\$ 1,935,261</u>	<u>\$ 199,569</u>	<u>\$ 1,000,366</u>

The weighted average maturity of investments is 0.77 years.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in federal agency securities and the federal agency securities that underlie the District's repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market mutual funds 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 dealing with investment credit risk beyond the requirements in State statutes.

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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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 Treasurer or qualified trustee.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 6,179,299	36.05
FHLB Discount Notes	3,966,942	23.14
FHLMC	1,085,023	6.33
FNMA	610,185	3.56
U.S. Treasury Bills	2,172,458	12.67
Negotiable CD's	411,021	2.40
Repurchase Agreement	1,945,000	11.35
U.S. Government		
Money Market Funds	20,499	0.12
STAR Ohio	<u>750,840</u>	<u>4.38</u>
Total	<u>\$ 17,141,267</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,560,416
Investments	17,141,267
Cash on hand	100
Cash with fiscal agent	<u>5,000</u>
Total	<u>\$18,706,783</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$18,663,685
Agency fund	<u>43,098</u>
Total	<u>\$18,706,783</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 17,096</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore no transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Lorain 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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$506,745 in the general fund, \$126,702 in the debt service fund and \$22,793 in the permanent improvement fund (a nonmajor governmental fund). The amount available as an advance at June 30, 2010 was \$266,117 in the general fund, \$67,705 in the debt service fund and \$11,425 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 252,011,520	96.46	\$ 254,638,260	95.92
Public utility personal	8,515,930	3.26	10,818,110	4.08
Tangible personal property	<u>721,700</u>	<u>0.28</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 261,249,150</u>	<u>100.00</u>	<u>\$ 265,456,370</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$49.90		\$49.83

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 6,617,069
Accounts	32,182
Intergovernmental	451,265
Accrued interest	<u>7,531</u>
Total receivables	<u>\$ 7,108,047</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 – RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 521,816	\$ -	\$ -	\$ 521,816
Construction in progress	<u>-</u>	<u>695,396</u>	<u>-</u>	<u>695,396</u>
Total capital assets, not being depreciated	<u>521,816</u>	<u>695,396</u>	<u>-</u>	<u>1,217,212</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,523,337	12,515	-	3,535,852
Buildings and improvements	20,011,216	45,000	-	20,056,216
Furniture and equipment	570,770	389,556	(13,633)	946,693
Vehicles	<u>1,170,063</u>	<u>21,252</u>	<u>-</u>	<u>1,191,315</u>
Total capital assets, being depreciated	<u>25,275,386</u>	<u>468,323</u>	<u>(13,633)</u>	<u>25,730,076</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(666,924)	(164,828)	-	(831,752)
Buildings and improvements	(5,207,487)	(555,944)	-	(5,763,431)
Furniture and equipment	(244,407)	(81,353)	13,633	(312,127)
Vehicles	<u>(794,144)</u>	<u>(66,171)</u>	<u>-</u>	<u>(860,315)</u>
Total accumulated depreciation	<u>(6,912,962)</u>	<u>(868,296)</u>	<u>13,633</u>	<u>(7,767,625)</u>
Governmental activities capital assets, net	<u>\$ 18,884,240</u>	<u>\$ 295,423</u>	<u>\$ -</u>	<u>\$ 19,179,663</u>

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 679,368
Support services:	
Instructional staff	3,350
Administration	9,692
Fiscal	1,332
Operations and maintenance	27,030
Pupil transportation	63,777
Central	4,948
Extracurricular activities	73,284
Food service operations	5,515
Total depreciation expense	<u>\$ 868,296</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LEASE-PURCHASE AGREEMENT

During a prior fiscal year, the District entered into a lease-purchase agreement with Columbus Regional Airport Authority. The lease meets the criteria of a lease-purchase as defined by generally accepted accounting principles, which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease was used to fund the District's capital improvement project, which was the construction of a new track. Capital assets acquired by the lease purchase have been capitalized in the amount of \$890,000. Lease-purchase payments have been reflected as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund). Principal payments on the lease-purchase totaled \$46,000 during fiscal year 2011.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2012	\$ 81,255
2013	81,155
2014	80,970
2015	80,698
2016	80,341
2017 - 2021	400,711
2022 - 2024	<u>236,527</u>
Total minimum lease payments	1,041,657
Less: amount representing interest	<u>(241,657)</u>
Present value of minimum lease payments	<u>\$ 800,000</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2011, the District entered into a capitalized lease for copier equipment. This lease agreement met the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$372,368. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 for this equipment was \$37,237, leaving a current book value of \$335,131. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$32,287 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 90,240
2013	90,240
2014	90,240
2015	90,240
2016	<u>45,120</u>
Total minimum lease payments	406,080
Less amount representing interest	<u>(65,999)</u>
Total	<u>\$ 340,081</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Retired</u>	<u>June 30, 2011</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds - series 2004					
Current interest bonds	\$ 14,015,000	\$ -	\$ (805,000)	\$ 13,210,000	\$ 145,000
Capital appreciation bonds	275,000	-	-	275,000	-
Accreted interest	109,488	21,873	-	131,361	-
General obligation bonds - series 2010					
Current interest bonds	-	11,100,000	-	11,100,000	-
Capital appreciation bonds	-	399,987	-	399,987	-
Accreted interest	-	15,301	-	15,301	-
Total general obligation bonds	<u>14,399,488</u>	<u>11,537,161</u>	<u>(805,000)</u>	<u>25,131,649</u>	<u>145,000</u>
Lease-purchase agreement	846,000	-	(46,000)	800,000	48,000
Capital lease obligation	-	372,368	(32,287)	340,081	65,397
PARS retirement incentive	100,000	-	(50,000)	50,000	50,000
Retirement incentive	29,550	38,156	(29,550)	38,156	38,156
Compensated absences	<u>847,743</u>	<u>100,135</u>	<u>(178,454)</u>	<u>769,424</u>	<u>144,378</u>
Total governmental activities long-term liabilities	<u>\$ 16,222,781</u>	<u>\$ 12,047,820</u>	<u>\$ (1,141,291)</u>	<u>27,129,310</u>	<u>\$ 490,931</u>
Unamortized premium - series 2010				<u>222,773</u>	
Total on statement of net assets				<u>\$ 27,352,083</u>	

Series 2004 School Improvement General Obligation Bonds

During fiscal year 2004, the District issued \$17,500,000 in general obligation bonds, for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund.

The issue is comprised of both current interest bonds, par value \$17,225,000, and capital appreciation bonds par value \$275,000. The interest rates on the current interest bonds range average 4.84%. The capital appreciation bonds mature on December 1, 2013 (stated interest rate 5.65%) and December 1, 2014 (stated interest rate 5.57%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2013 is \$230,000 and the accreted value at maturity for the capital appreciation bond maturing December 1, 2014 is \$250,000. Total accreted interest of \$131,361 for series 2004 has been included on the statement of net assets at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2010 School Improvement General Obligation Bonds

During fiscal year 2011, the District issued \$11,499,987 in general obligation bonds, for the purpose of improving school facilities. Principal and interest payments are made from the debt service fund.

The issue is comprised of both current interest bonds, par value \$11,100,000, and capital appreciation bonds par value \$399,987. The interest rates on the current interest bonds range from 6.75%-7.20%. The capital appreciation bonds mature on December 1, 2029 (stated interest rate 5.93%), December 1, 2030 (stated interest rate 6.01%), December 1, 2031 (stated interest rate 6.09%), December 1, 2032 (stated interest rate 6.17%) and December 1, 2033 (stated interest rate 6.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,190,000. Total accreted interest of \$15,301 for series 2010 has been included on the statement of net assets at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2040. At June 30, 2011, the District had \$10,804,591 of unspent bond proceeds remaining on the bond issue.

Lease-Purchase Agreement

See Note 9 for detail on the District's lease-purchase agreement. Principal and interest payments are made from the permanent improvement fund (a nonmajor governmental fund).

Capital Lease Obligation

See Note 10 for detail on the District's capital lease obligation. Principal and interest payments are made from the general fund.

PARS Retirement Incentive

During fiscal year 2007, the Board of Education adopted the PARS 403(b) Supplementary Retirement Plan (the "Plan") for those employees that met the plan's eligibility requirements, as stated in the Plan. Each person who met these eligibility requirements was scheduled to receive \$50,000. Beginning July of the year of retirement, payment was set to be made in five equal installments into the eligible participant's 403(b) annuity contract held at Pacific Life Insurance Company. At June 30, 2011, the District's liability for the retirement incentive plan was \$50,000. This liability is recorded as retirement incentive payable in the general fund.

Retirement Incentive

During fiscal year 2011, the District offered a retirement incentive for those certified employees who served five years with the District. The payment was calculated based on the retiring employee's unused sick leave and personal leave accumulated during the last year of employment. In addition to this retirement incentive, certified employees retiring with thirty years or less of service were also eligible for a cash payment of \$10,000 with an additional \$300 per year of service with the District. At June 30, 2011, the District's liability for this retirement incentive plan was \$38,156. The entire balance is recorded as retirement incentive payable in the general fund.

Compensated Absences

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a description of the District's future annual debt service requirements to maturity for bonds payable:

Fiscal Year	Current Interest - Series 2004			Capital Appreciation - Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 145,000	\$ 651,438	\$ 796,438	\$ -	\$ -	\$ -
2013	170,000	645,500	815,500	-	-	-
2014	-	642,100	642,100	135,000	95,000	230,000
2015	-	642,100	642,100	140,000	110,000	250,000
2016	265,000	636,800	901,800	-	-	-
2017 - 2021	2,210,000	2,909,750	5,119,750	-	-	-
2022 - 2026	3,955,000	2,154,375	6,109,375	-	-	-
2027 - 2031	6,465,000	866,875	7,331,875	-	-	-
Total	\$ 13,210,000	\$ 9,148,938	\$ 22,358,938	\$ 275,000	\$ 205,000	\$ 480,000

Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ -	\$ 770,572	\$ 770,572	\$ -	\$ -	\$ -
2013	-	770,573	770,573	-	-	-
2014	-	770,572	770,572	-	-	-
2015	-	770,573	770,573	-	-	-
2016	-	770,572	770,572	-	-	-
2017 - 2021	-	3,852,863	3,852,863	-	-	-
2022 - 2026	-	3,852,862	3,852,862	-	-	-
2027 - 2031	5,295,000	2,959,332	8,254,332	179,534	695,466	875,000
2032 - 2036	2,995,000	1,544,930	4,539,930	220,453	1,094,547	1,315,000
2037 - 2041	2,810,000	497,520	3,307,520	-	-	-
Total	\$ 11,100,000	\$ 16,560,369	\$ 27,660,369	\$ 399,987	\$ 1,790,013	\$ 2,190,000

C. The series 2010 general obligation school improvement bonds require the District to make mandatory sinking fund deposits beginning December 1, 2011. The sinking fund deposits will result in a balloon principal payment of \$5,295,000 made on December 1, 2028. Sinking fund deposits will be made on December 1, in the following fiscal years and in the following amounts.

Fiscal Year	Amounts	Amounts
	Due	Deposited
2012	\$ 215,000	\$ -
2013	290,000	-
2014	290,000	-
2015	300,000	-
2016	300,000	-
2017-2021	1,500,000	-
2022-2026	1,500,000	-
2027-2029	900,000	-
	<u>\$ 5,295,000</u>	<u>\$ -</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- D.** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$(384,339) (including available funds of \$964,028) and an unvoted debt margin of \$262,629. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District contracted with Fitzgibbons, Arnold & Co. for insurance. General and professional liability has a \$2,000,000 aggregate limit for each. Automobile liability has a \$1,000,000 combined single limit of liability. Traveler's Surety & Insurance Co. of America maintains performance bonds of \$50,000 for the Superintendent and the Board President and a \$75,000 performance bond for the Treasurer.

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction of coverage from the prior year.

B. Employee Health and Dental

The District purchased health, dental and vision coverage through the Lake Erie Regional Council of Governments (LERC), an insurance purchasing pool. The risk of loss transfers to the pool upon payment of the premium. Based upon applicable union contracts, the District pays 90% of the monthly insurance premium for single coverage and 85% of the monthly insurance premium for family coverage for eligible employees. Any employee who is scheduled to work at a full-time equivalency (FTE) below 1.0 but greater than 0.5 is eligible for this coverage, but they are required to pay a higher premium. The premium is generally paid by the fund that pays the salary for the employee.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Group Rating Plan

For fiscal year 2011, the District participated in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP) (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$237,332, \$245,976 and \$171,283, respectively; 53.25 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - PENSION PLANS - (Continued)

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.

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 fiscal year 2011, 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, 2011, 2010 and 2009 were \$891,185, \$855,326 and \$797,113, respectively; 82.71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,809 made by the District and \$9,149 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$57,049, \$36,027 and \$104,237, respectively; 53.25 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$15,273, \$14,628 and \$14,132, respectively; 53.25 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$68,553, \$65,794 and \$61,316, respectively; 82.71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 121,108
Net adjustment for revenue accruals	293,416
Net adjustment for expenditure accruals	(353,655)
Net adjustment for other sources/uses	339,296
Funds budgeted elsewhere	(351,225)
Adjustment for encumbrances	29,360
GAAP basis	\$ 78,300

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund, KeyCare fund, employee benefits fund and termination benefits fund.

NOTE 16 - CONTINGENCIES

A. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

B. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 17 - SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	255,729	255,729
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(220,661)	-
Excess qualified expenditures from prior years	(1,265,644)	-
Current year offsets	-	(265,487)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>-</u>
Total	<u>\$ (1,230,576)</u>	<u>\$ (9,758)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. During fiscal year 2004 and fiscal year 2011, the District issued \$17,500,000 and \$11,499,987 in capital related school improvement bonds, respectively. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$28,027,913 at June 30, 2011.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 28,076
Building	5,384
Other governmental	<u>73,598</u>
 Total	 <u>\$ 107,058</u>

NOTE 19 - CONTRACTUAL COMMITMENTS

As a result of the construction project that was in progress at June 30, 2011, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
FMD Architects	\$ 610,192	\$ (473,362)	\$ 136,830
The Cornice Company	584,797	(100,625)	484,172
Stan and Associates, Inc.	<u>13,026</u>	<u>(5,211)</u>	<u>7,815</u>
 Total Contractual Commitments	 <u>\$ 1,208,015</u>	 <u>\$ (579,198)</u>	 <u>\$ 628,817</u>

NOTE 20 - SUBSEQUENT EVENT

On July 7, 2011, the Board of Education approved Susan Bement to replace Phillip Butto as Treasurer of the Keystone Local School District effective August 1, 2011.

COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MAJOR FUNDS

General Fund

The general fund is used to account for resources traditionally associated with a school district which are not required legally or by sound financial management to be accounted for in another fund. These activities include, but are not limited to, general instruction, pupil services, operation and maintenance of facilities, student transportation, and administration

Since there is only one general fund and the legal level of budgetary control is not greater than that presented in the basic financial statements, no additional financial statements are presented here.

Debt Service Fund

A fund used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds payable, as required by Ohio Law.

Building Fund

This fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Debt Service			
Total Revenues and Other Sources	\$ 1,392,921	\$ 1,394,880	\$ 1,959
Total Expenditures and Other Uses	<u>1,632,503</u>	<u>1,632,454</u>	<u>49</u>
Net Change in Fund Balances	(239,582)	(237,574)	2,008
Fund Balance, July 1	<u>1,074,900</u>	<u>1,074,900</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 835,318</u></u>	<u><u>\$ 837,326</u></u>	<u><u>\$ 2,008</u></u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Building			
Total Revenues and Other Sources	\$ 11,501,772	\$ 11,510,836	\$ 9,064
Total Expenditures and Other Uses	<u>752,833</u>	<u>700,180</u>	<u>52,653</u>
Net Change in Fund Balances	10,748,939	10,810,656	61,717
Fund Balance, July 1	<u>3,486</u>	<u>3,486</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 10,752,425</u></u>	<u><u>\$ 10,814,142</u></u>	<u><u>\$ 61,717</u></u>

**KEYSTONE LOCAL SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are restricted or committed to expenditure for specified purposes. The title of each special revenue fund is descriptive of the activities accounted for therein. The nonmajor special revenue funds are:

Food Services Fund

This fund is used to record financial transactions related to food service operations.

School Trusts Fund

This fund is used to account for trust agreements in which principal and income are used to support District programs.

Other Local Grants Fund

This fund is used to account for the proceeds of specific revenue sources, except for State and federal grants that are legally restricted to expenditures for specified purposes.

Student Activity Fund

A fund provided to account for those student activity programs which have student participation in the activity, but do not have student management of the programs. This fund includes the athletic programs and the drama program.

Auxiliary Services Fund

A fund provided to account for monies which provide services and materials to pupils attending non-public schools within the District.

Educational Management Information System (EMIS) Fund

A fund provided to account for State funds provided to assist the district in implementing a staff, student and financial reporting system as mandated by the Omnibus Education Reform Act of 1989.

Data Communication Fund

A fund provided to account for money for Ohio Educational Computer Network Connections.

Education Jobs Fund

This fund accounts for federal monies whose purpose is to create education jobs for the 2010-2011 school year. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education.

Race to the Top Fund

This fund is intended to establish a new program or expand an existing program aligned to an approved scope of work. An approved scope of work must support Race to the Top initiatives in the areas of Standard and Assessments, Using Data to Improve Instruction, Great Teachers and Leaders and/or Turning Around the Lowest-Achieving Schools.

**KEYSTONE LOCAL SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Special Revenue Funds (Continued)

Title VI-B Fund

A fund which accounts for federal funds used in the identification of handicapped children, development of procedural safeguards, implementation of least-restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at preschool elementary, and secondary levels.

Education Stabilization Fund

To account for restricted federal grant monies from the American Recovery and Reinvestment Act (ARRA) in State Fiscal Stabilization Funds (SFSF) to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services.

Stimulus Title II-D Fund

To account for restricted federal grant monies used for technology.

Title I Fund

To account for funds which are to: 1) establish or improve programs designed to meet the special needs of migratory agricultural workers or migratory fishers' and 2) enable State education agencies to coordinate their state migrant education programs and local projects with similar programs and projects in other states, including the transfer of school records or other information about migratory children.

Drug Free School Grant Fund

A fund which accounts for federal funds used to establish, operate, and improve local programs of drug abuse prevention, early intervention, rehabilitation referral, and education in the District.

Title II-A Fund

To account for a federal grant aimed to reducing class sizes throughout the District.

**KEYSTONE LOCAL SCHOOL DISTRICT
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Capital Projects Funds

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The nonmajor capital projects funds are:

Permanent Improvement Fund

To account for the acquisition, construction, or improvement of capital facilities.

Other Capital Projects Fund

A fund provided to accumulate money for one or multiple capital projects.

The following funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis):

Uniform School Supplies Fund

This fund accounts for the purchase and sale of school supplies for use in the District. Profits derived from such sales are used for school purposes or activities connected with the school.

Public School Support Fund

A fund provided to account for special local revenue sources, other than taxes or expendable trusts (i.e., profits from vending machines) that are restricted to expenditures for specified purposes approved by board resolution. Such expenditures may include curricular and extracurricular related purchases.

KeyCare Fund

This fund accounts for parental fees collected and expended in conjuncture with the District's before and after school child care program.

Employee Benefits Fund

This fund accounts for internal activity related to the acquisition of the District's employee benefits.

Underground Storage Tank Fund

A fund provided to account for underground storage tank money.

Termination Benefits Fund

This fund acquires and distributes monies for retirees and other qualifying individuals leaving the District in accordance with the District's severance policy.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 385,684	\$ 1,050,023	\$ 1,435,707
Receivables:			
Taxes	-	222,759	222,759
Accounts.	20	-	20
Intergovernmental	451,265	-	451,265
Materials and supplies inventory	11,084	-	11,084
Total assets.	<u>\$ 848,053</u>	<u>\$ 1,272,782</u>	<u>\$ 2,120,835</u>
Liabilities:			
Accounts payable.	\$ 15,442	\$ -	\$ 15,442
Accrued wages and benefits	42,409	-	42,409
Pension obligation payable.	22,392	-	22,392
Intergovernmental payable	1,589	-	1,589
Deferred revenue.	396,589	4,162	400,751
Unearned revenue	-	195,804	195,804
Total liabilities.	<u>478,421</u>	<u>199,966</u>	<u>678,387</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory	11,084	-	11,084
Restricted:			
Capital improvements	-	1,067,816	1,067,816
Food service operations	212,133	-	212,133
Non-public schools	17,912	-	17,912
Targeted academic assistance.	13,608	-	13,608
Extracurricular activities	18,146	-	18,146
Other purposes.	100,872	-	100,872
Committed:			
Capital improvements	-	5,000	5,000
Unassigned (deficit).	(4,123)	-	(4,123)
Total fund balances	<u>369,632</u>	<u>1,072,816</u>	<u>1,442,448</u>
Total liabilities and fund balances.	<u>\$ 848,053</u>	<u>\$ 1,272,782</u>	<u>\$ 2,120,835</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ -	\$ 228,965	\$ 228,965
Charges for services	343,880	-	343,880
Earnings on investments	784	-	784
Extracurricular	81,145	-	81,145
Contributions and donations	3,554	-	3,554
Other local revenues	8,302	-	8,302
Intergovernmental - intermediate	10,055	-	10,055
Intergovernmental - state	89,019	47,890	136,909
Intergovernmental - federal	1,651,361	-	1,651,361
Total revenues	2,188,100	276,855	2,464,955
Expenditures:			
Current:			
Instruction:			
Regular	86,483	-	86,483
Special	587,164	-	587,164
Other	15,744	-	15,744
Support services:			
Pupil	157,675	-	157,675
Instructional staff	120,536	-	120,536
Administration	79,467	-	79,467
Fiscal	149	4,090	4,239
Operations and maintenance	243,116	13,709	256,825
Pupil transportation	3,190	21,252	24,442
Central	137,893	-	137,893
Operation of non-instructional services:			
Food service operations	493,375	-	493,375
Other non-instructional services	86,977	-	86,977
Extracurricular activities	84,504	-	84,504
Facilities acquisition and construction	-	91,409	91,409
Debt service:			
Principal retirement	-	46,000	46,000
Interest and fiscal charges	-	35,970	35,970
Total expenditures	2,096,273	212,430	2,308,703
Excess of revenues over expenditures	91,827	64,425	156,252
Other financing sources:			
Transfers in	17,096	-	17,096
Total other financing sources	17,096	-	17,096
Net change in fund balances	108,923	64,425	173,348
Fund balances (restated), July 1	260,709	1,008,391	1,269,100
Fund balances, June 30	\$ 369,632	\$ 1,072,816	\$ 1,442,448

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Student Activity</u>
Assets:				
Equity in pooled cash and investments	\$ 244,252	\$ 4,025	\$ 4,095	\$ 20,200
Receivables:				
Accounts	20	-	-	-
Intergovernmental	7,588	-	-	-
Materials and supplies inventory	11,084	-	-	-
Total assets.	<u>\$ 262,944</u>	<u>\$ 4,025</u>	<u>\$ 4,095</u>	<u>\$ 20,200</u>
Liabilities:				
Accounts payable.	\$ 1,598	\$ -	\$ -	\$ 2,054
Accrued wages and benefits	19,772	-	-	-
Pension obligation payable.	17,592	-	-	-
Intergovernmental payable	765	-	-	-
Deferred revenue.	-	-	-	-
Total liabilities.	<u>39,727</u>	<u>-</u>	<u>-</u>	<u>2,054</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	11,084	-	-	-
Restricted:				
Food service operations	212,133	-	-	-
Non-public schools	-	-	-	-
Targeted academic assistance.	-	-	-	-
Extracurricular activities	-	-	-	18,146
Other purposes.	-	4,025	4,095	-
Unassigned (deficit).	-	-	-	-
Total fund balances (deficit).	<u>223,217</u>	<u>4,025</u>	<u>4,095</u>	<u>18,146</u>
Total liabilities and fund balances.	<u>\$ 262,944</u>	<u>\$ 4,025</u>	<u>\$ 4,095</u>	<u>\$ 20,200</u>

<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>	<u>Education Jobs</u>	<u>Race to the Top</u>
\$ 29,880	\$ 34,376	\$ 825	\$ -	\$ -
-	-	-	-	-
-	-	-	368,027	25,000
-	-	-	-	-
<u>\$ 29,880</u>	<u>\$ 34,376</u>	<u>\$ 825</u>	<u>\$ 368,027</u>	<u>\$ 25,000</u>
\$ 11,790	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
162	-	-	-	-
16	-	-	-	-
-	-	-	368,027	-
<u>11,968</u>	<u>-</u>	<u>-</u>	<u>368,027</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
17,912	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	34,376	825	-	25,000
-	-	-	-	-
<u>17,912</u>	<u>34,376</u>	<u>825</u>	<u>-</u>	<u>25,000</u>
<u>\$ 29,880</u>	<u>\$ 34,376</u>	<u>\$ 825</u>	<u>\$ 368,027</u>	<u>\$ 25,000</u>

- (Continued)

KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2011

	<u>Title VI-B</u>	<u>Education Stabilization</u>	<u>Stimulus Title II-D</u>	<u>Title I</u>
Assets:				
Equity in pooled cash and investments	\$ 99	\$ 31,248	\$ 1,303	\$ 13,544
Receivables:				
Accounts	-	-	-	-
Intergovernmental	-	-	-	50,650
Materials and supplies inventory	-	-	-	-
Total assets	<u>\$ 99</u>	<u>\$ 31,248</u>	<u>\$ 1,303</u>	<u>\$ 64,194</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages and benefits	2,542	-	-	20,095
Pension obligation payable	1,468	-	-	3,170
Intergovernmental payable	212	-	-	596
Deferred revenue	-	-	-	28,562
Total liabilities	<u>4,222</u>	<u>-</u>	<u>-</u>	<u>52,423</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	-	-
Restricted:				
Food service operations	-	-	-	-
Non-public schools	-	-	-	-
Targeted academic assistance	-	-	-	11,771
Extracurricular activities	-	-	-	-
Other purposes	-	31,248	1,303	-
Unassigned (deficit)	<u>(4,123)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(4,123)</u>	<u>31,248</u>	<u>1,303</u>	<u>11,771</u>
Total liabilities and fund balances	<u>\$ 99</u>	<u>\$ 31,248</u>	<u>\$ 1,303</u>	<u>\$ 64,194</u>

<u>Title II-A</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 1,837	\$ 385,684
-	20
-	451,265
-	11,084
<u>\$ 1,837</u>	<u>\$ 848,053</u>
\$ -	\$ 15,442
-	42,409
-	22,392
-	1,589
-	396,589
<u>-</u>	<u>478,421</u>
-	11,084
-	212,133
-	17,912
1,837	13,608
-	18,146
-	100,872
-	(4,123)
<u>1,837</u>	<u>369,632</u>
<u>\$ 1,837</u>	<u>\$ 848,053</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Student Activity</u>
Revenues:				
From local sources:				
Charges for services	\$ 343,880	\$ -	\$ -	\$ -
Earnings on investments	719	-	-	-
Extracurricular	-	-	-	81,145
Contributions and donations	-	2,000	153	1,401
Other local revenues	6,511	-	-	1,791
Intergovernmental - intermediate	-	-	10,055	-
Intergovernmental - state	3,712	-	-	-
Intergovernmental - federal	175,772	-	-	-
Total revenues	<u>530,594</u>	<u>2,000</u>	<u>10,208</u>	<u>84,337</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	2,500	1,407	-
Special	-	-	-	-
Other	-	-	-	-
Support services:				
Pupil	-	-	8,116	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Fiscal	-	-	-	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	493,375	-	-	-
Other non-instructional services	-	-	-	-
Extracurricular activities	-	-	-	84,504
Total expenditures	<u>493,375</u>	<u>2,500</u>	<u>9,523</u>	<u>84,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,219</u>	<u>(500)</u>	<u>685</u>	<u>(167)</u>
Other financing sources:				
Transfers in	-	-	-	17,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Net change in fund balances	37,219	(500)	685	16,833
Fund balances (deficit), July 1	<u>185,998</u>	<u>4,525</u>	<u>3,410</u>	<u>1,313</u>
Fund balances (deficit), June 30	<u>\$ 223,217</u>	<u>\$ 4,025</u>	<u>\$ 4,095</u>	<u>\$ 18,146</u>

<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>	<u>Race to the Top</u>
\$ -	\$ -	\$ -	\$ -
65	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
73,482	5,000	6,825	-
-	-	-	25,000
<u>73,547</u>	<u>5,000</u>	<u>6,825</u>	<u>25,000</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	5,547	-	-
-	149	-	-
-	-	-	-
-	-	-	-
-	-	10,159	-
-	-	-	-
86,977	-	-	-
-	-	-	-
<u>86,977</u>	<u>5,696</u>	<u>10,159</u>	<u>-</u>
<u>(13,430)</u>	<u>(696)</u>	<u>(3,334)</u>	<u>25,000</u>
-	-	-	-
-	-	-	-
<u>(13,430)</u>	<u>(696)</u>	<u>(3,334)</u>	<u>25,000</u>
<u>31,342</u>	<u>35,072</u>	<u>4,159</u>	<u>-</u>
<u>\$ 17,912</u>	<u>\$ 34,376</u>	<u>\$ 825</u>	<u>\$ 25,000</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Title VI-B</u>	<u>Education Stabilization</u>	<u>Stimulus Title II-D</u>	<u>Title I</u>
Revenues:				
From local sources:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
Extracurricular	-	-	-	-
Contributions and donations	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - intermediate	-	-	-	-
Intergovernmental - state	-	-	-	-
Intergovernmental - federal	583,012	528,688	628	255,228
Total revenues	<u>583,012</u>	<u>528,688</u>	<u>628</u>	<u>255,228</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	18,421	-	64,155
Special	331,987	108,169	-	147,008
Other	-	-	-	15,744
Support services:				
Pupil	149,463	-	-	-
Instructional staff	26,625	-	121	9,882
Administration	73,920	-	-	-
Fiscal	-	-	-	-
Operations and maintenance	-	243,116	-	-
Pupil transportation	-	-	-	3,190
Central	-	127,734	-	-
Operation of non-instructional services:				
Food service operations	-	-	-	-
Other non-instructional services	-	-	-	-
Extracurricular activities	-	-	-	-
Total expenditures	<u>581,995</u>	<u>497,440</u>	<u>121</u>	<u>239,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,017</u>	<u>31,248</u>	<u>507</u>	<u>15,249</u>
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	1,017	31,248	507	15,249
Fund balances (deficit), July 1	<u>(5,140)</u>	<u>-</u>	<u>796</u>	<u>(3,478)</u>
Fund balances (deficit), June 30	<u>\$ (4,123)</u>	<u>\$ 31,248</u>	<u>\$ 1,303</u>	<u>\$ 11,771</u>

Drug Free School Grant	Title II-A	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 343,880
-	-	784
-	-	81,145
-	-	3,554
-	-	8,302
-	-	10,055
-	-	89,019
-	83,033	1,651,361
-	83,033	2,188,100
-	-	86,483
-	-	587,164
-	-	15,744
96	-	157,675
-	83,908	120,536
-	-	79,467
-	-	149
-	-	243,116
-	-	3,190
-	-	137,893
-	-	493,375
-	-	86,977
-	-	84,504
96	83,908	2,096,273
(96)	(875)	91,827
96	-	17,096
96	-	17,096
-	(875)	108,923
-	2,712	260,709
\$ -	\$ 1,837	\$ 369,632

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Food Services			
Total Revenues and Other Sources	\$ 513,967	\$ 515,072	\$ 1,105
Total Expenditures and Other Uses	<u>493,148</u>	<u>481,981</u>	<u>11,167</u>
Net Change in Fund Balances	20,819	33,091	12,272
Fund Balance, July 1	197,390	197,390	-
Prior Year Encumbrances Appropriated	<u>8,280</u>	<u>8,280</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 226,489</u>	<u>\$ 238,761</u>	<u>\$ 12,272</u>
School Trusts			
Total Revenues and Other Sources	\$ 2,000	\$ 2,000	\$ -
Total Expenditures and Other Uses	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Net Change in Fund Balances	(500)	(500)	-
Fund Balance, July 1	<u>4,525</u>	<u>4,525</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,025</u>	<u>\$ 4,025</u>	<u>\$ -</u>
Other Local Grants			
Total Revenues and Other Sources	\$ 10,208	\$ 10,208	\$ -
Total Expenditures and Other Uses	<u>9,532</u>	<u>9,523</u>	<u>9</u>
Net Change in Fund Balances	676	685	9
Fund Balance, July 1	2,620	2,620	-
Prior Year Encumbrances Appropriated	<u>790</u>	<u>790</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,086</u>	<u>\$ 4,095</u>	<u>\$ 9</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Student Activity			
Total Revenues and Other Sources	\$ 84,537	\$ 101,537	\$ 17,000
Total Expenditures and Other Uses	<u>93,175</u>	<u>92,804</u>	<u>371</u>
Net Change in Fund Balances	(8,638)	8,733	17,371
Fund Balance, July 1	3,223	3,223	-
Prior Year Encumbrances Appropriated	<u>2,428</u>	<u>2,428</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (2,987)</u>	<u>\$ 14,384</u>	<u>\$ 17,371</u>
Auxiliary Services			
Total Revenues and Other Sources	\$ 73,540	\$ 73,547	\$ 7
Total Expenditures and Other Uses	<u>105,079</u>	<u>102,675</u>	<u>2,404</u>
Net Change in Fund Balances	(31,539)	(29,128)	2,411
Fund Balance, July 1	20,671	20,671	-
Prior Year Encumbrances Appropriated	<u>10,866</u>	<u>10,866</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (2)</u>	<u>\$ 2,409</u>	<u>\$ 2,411</u>
EMIS			
Total Revenues and Other Sources	\$ 5,000	\$ 5,000	\$ -
Total Expenditures and Other Uses	<u>6,778</u>	<u>5,696</u>	<u>1,082</u>
Net Change in Fund Balances	(1,778)	(696)	1,082
Fund Balance, July 1	<u>35,072</u>	<u>35,072</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 33,294</u>	<u>\$ 34,376</u>	<u>\$ 1,082</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Data Communication			
Total Revenues and Other Sources	\$ 6,000	\$ 6,825	\$ 825
Total Expenditures and Other Uses	<u>10,159</u>	<u>10,159</u>	<u>-</u>
Net Change in Fund Balances	(4,159)	(3,334)	825
Fund Balance, July 1	<u>4,159</u>	<u>4,159</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 825</u>	<u>\$ 825</u>
Title VI-B			
Total Revenues and Other Sources	\$ 583,012	\$ 583,012	\$ -
Total Expenditures and Other Uses	<u>594,437</u>	<u>587,398</u>	<u>7,039</u>
Net Change in Fund Balances	(11,425)	(4,386)	7,039
Fund Balance, July 1	3,604	3,604	-
Prior Year Encumbrances Appropriated	<u>782</u>	<u>782</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (7,039)</u>	<u>\$ -</u>	<u>\$ 7,039</u>
Education Stabilization			
Total Revenues and Other Sources	\$ 528,688	\$ 528,688	\$ -
Total Expenditures and Other Uses	<u>528,688</u>	<u>528,688</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Stimulus Title II-D			
Total Revenues and Other Sources	\$ 628	\$ 628	\$ -
Total Expenditures and Other Uses	<u>1,432</u>	<u>1,429</u>	<u>3</u>
Net Change in Fund Balances	(804)	(801)	3
Fund Balance, July 1	<u>800</u>	<u>800</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (4)</u>	<u>\$ (1)</u>	<u>\$ 3</u>
Title I			
Total Revenues and Other Sources	\$ 233,140	\$ 233,140	\$ -
Total Expenditures and Other Uses	<u>279,304</u>	<u>244,848</u>	<u>34,456</u>
Net Change in Fund Balances	(46,164)	(11,708)	34,456
Fund Balance, July 1	<u>25,252</u>	<u>25,252</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (20,912)</u>	<u>\$ 13,544</u>	<u>\$ 34,456</u>
Drug Free School Grant			
Total Revenues and Other Sources	\$ 96	\$ 96	\$ -
Total Expenditures and Other Uses	<u>96</u>	<u>96</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Title II-A			
Total Revenues and Other Sources	\$ 83,033	\$ 83,033	\$ -
Total Expenditures and Other Uses	<u>94,898</u>	<u>85,460</u>	<u>9,438</u>
Net Change in Fund Balances	(11,865)	(2,427)	9,438
Fund Balance, July 1	2,734	2,734	-
Prior Year Encumbrances Appropriated	<u>122</u>	<u>122</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (9,009)</u>	<u>\$ 429</u>	<u>\$ 9,438</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Uniform School Supplies			
Total Revenues and Other Sources	\$ 7,805	\$ 7,827	\$ 22
Total Expenditures and Other Uses	<u>5,330</u>	<u>4,707</u>	<u>623</u>
Net Change in Fund Balances	2,475	3,120	645
Fund Balance, July 1	<u>10,570</u>	<u>10,570</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 13,045</u>	<u>\$ 13,690</u>	<u>\$ 645</u>
Public School Support			
Total Revenues and Other Sources	\$ 56,296	\$ 56,296	\$ -
Total Expenditures and Other Uses	<u>64,038</u>	<u>61,297</u>	<u>2,741</u>
Net Change in Fund Balances	(7,742)	(5,001)	2,741
Fund Balance, July 1	32,067	32,067	-
Prior Year Encumbrances Appropriated	<u>220</u>	<u>220</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 24,545</u>	<u>\$ 27,286</u>	<u>\$ 2,741</u>
KeyCare			
Total Revenues and Other Sources	\$ 49,896	\$ 49,896	\$ -
Total Expenditures and Other Uses	<u>53,055</u>	<u>49,314</u>	<u>3,741</u>
Net Change in Fund Balances	(3,159)	582	3,741
Fund Balance, July 1	<u>33,205</u>	<u>33,205</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 30,046</u>	<u>\$ 33,787</u>	<u>\$ 3,741</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Employee Benefits			
Total Expenditures and Other Uses	\$ 230,045	\$ 227,576	\$ 2,469
Net Change in Fund Balances	(230,045)	(227,576)	2,469
Fund Balance, July 1	1,009,705	1,009,705	-
Fund Balance, June 30	<u>\$ 779,660</u>	<u>\$ 782,129</u>	<u>\$ 2,469</u>
Underground Storage Tank			
Total Expenditures and Other Uses	\$ 1,000	\$ -	\$ 1,000
Net Change in Fund Balances	(1,000)	-	1,000
Fund Balance, July 1	-	-	-
Fund Balance (Deficit), June 30	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Termination Benefits			
Total Revenues and Other Sources	\$ 110,000	\$ 110,000	\$ -
Total Expenditures and Other Uses	221,295	221,295	-
Net Change in Fund Balances	(111,295)	(111,295)	-
Fund Balance, July 1	117,033	117,033	-
Fund Balance, June 30	<u>\$ 5,738</u>	<u>\$ 5,738</u>	<u>\$ -</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	Permanent Improvement	Other Capital Projects	Total Nonmajor Capital Projects Funds
Assets:			
Equity in pooled cash and investments	\$ 1,045,023	\$ 5,000	\$ 1,050,023
Receivables:			
Taxes.	222,759	-	222,759
Total assets.	\$ 1,267,782	\$ 5,000	\$ 1,272,782
Liabilities:			
Deferred revenue.	\$ 4,162	\$ -	\$ 4,162
Unearned revenue	195,804	-	195,804
Total liabilities.	199,966	-	199,966
Fund Balances:			
Restricted:			
Capital improvements	1,067,816	-	1,067,816
Committed:			
Capital improvements	-	5,000	5,000
Total fund balances	1,067,816	5,000	1,072,816
Total liabilities and fund balances.	\$ 1,267,782	\$ 5,000	\$ 1,272,782

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Permanent Improvement	Other Capital Projects	Total Nonmajor Capital Projects Funds
Revenues:			
From local sources:			
Taxes	\$ 228,965	\$ -	\$ 228,965
Intergovernmental - state	47,890	-	47,890
Total revenues	276,855	-	276,855
Expenditures:			
Current:			
Support services:			
Fiscal.	4,090	-	4,090
Operations and maintenance	13,709	-	13,709
Pupil transportation.	21,252	-	21,252
Facilities acquisition and construction	91,409	-	91,409
Debt service:			
Principal retirement	46,000	-	46,000
Interest and fiscal charges	35,970	-	35,970
Total expenditures.	212,430	-	212,430
Net change in fund balances.	64,425	-	64,425
Fund balances, July 1	1,003,391	5,000	1,008,391
Fund balances, June 30	\$ 1,067,816	\$ 5,000	\$ 1,072,816

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Permanent Improvement			
Total Revenues and Other Sources	\$ 264,878	\$ 265,487	\$ 609
Total Expenditures and Other Uses	<u>232,711</u>	<u>231,940</u>	<u>771</u>
Net Change in Fund Balances	32,167	33,547	1,380
Fund Balance, July 1	962,953	962,953	-
Prior Year Encumbrances Appropriated	<u>33,430</u>	<u>33,430</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 1,028,550</u></u>	<u><u>\$ 1,029,930</u></u>	<u><u>\$ 1,380</u></u>
Other Capital Projects			
Total Revenues and Other Sources	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Net Change in Fund Balances	5,000	5,000	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 5,000</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ -</u></u>

**KEYSTONE LOCAL SCHOOL DISTRICT
COMBINING STATEMENTS - AGENCY FUND**

Agency Fund

The agency fund is used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The agency fund is:

Student Activity Fund

An agency fund provided to account for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer and faculty advisor.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Student Activity				
Assets:				
Equity in pooled cash and investments	\$ 42,274	\$ 61,009	\$ 60,185	\$ 43,098
Total assets	<u>\$ 42,274</u>	<u>\$ 61,009</u>	<u>\$ 60,185</u>	<u>\$ 43,098</u>
Liabilities:				
Accounts payable	\$ 582	\$ 313	\$ 582	\$ 313
Due to students	41,692	60,696	59,603	42,785
Total liabilities.	<u>\$ 42,274</u>	<u>\$ 61,009</u>	<u>\$ 60,185</u>	<u>\$ 43,098</u>

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STATISTICAL SECTION

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**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

STATISTICAL SECTION

This part of the Keystone Local School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	95-108
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	109-114
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	115-118
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	119-120
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	121-127

Sources: Sources are noted on the individual schedules. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,636,413	\$ 3,748,240	\$ 3,597,575	\$ 4,160,612
Restricted	2,733,109	2,547,989	2,640,004	2,455,662
Unrestricted	3,955,975	3,731,747	4,012,688	4,690,946
Total governmental activities net assets	<u>\$ 10,325,497</u>	<u>\$ 10,027,976</u>	<u>\$ 10,250,267</u>	<u>\$ 11,307,220</u>

Source: School District financial records. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 3,949,750	\$ 7,120,595	\$ 6,916,902	\$ 5,688,510	\$ 4,758,495
2,225,265	3,421,604	1,915,127	2,054,608	1,396,713
3,398,899	5,796	400,908	456,618	2,098,893
<u>\$ 9,573,914</u>	<u>\$ 10,547,995</u>	<u>\$ 9,232,937</u>	<u>\$ 8,199,736</u>	<u>\$ 8,254,101</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses				
Governmental activities:				
Instruction:				
Regular	\$ 7,886,625	\$ 7,587,064	\$ 7,571,878	\$ 7,727,254
Special	1,705,354	1,626,780	1,416,017	1,242,249
Vocational	102,822	101,087	102,875	104,101
Other	91,730	114,886	89,080	75,094
Support services:				
Pupil	1,005,556	886,994	810,521	858,666
Instructional staff	473,860	532,728	443,050	468,744
Board of education	32,725	34,668	42,208	40,185
Administration	1,216,788	1,238,876	1,139,342	1,162,659
Fiscal	448,063	428,194	414,440	408,441
Operations and maintenance	1,173,432	1,326,992	1,436,266	1,186,268
Pupil transportation	887,051	958,546	901,853	870,189
Central	373,804	374,039	465,653	238,823
Operation of non-instructional services:				
Food service operations	504,207	485,656	483,727	439,113
Latchkey operations	49,485	55,778	59,162	55,825
Other non-instructional services	86,977	111,471	80,774	127,319
Extracurricular activities	454,751	463,680	368,793	375,208
Interest and fiscal charges	1,142,919	753,411	772,798	760,496
Total governmental activities expenses	<u>17,636,149</u>	<u>17,080,850</u>	<u>16,598,437</u>	<u>16,140,634</u>

Source: School District financial records. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

	2007	2006	2005	2004	2003
\$	6,588,597	\$ 6,704,413	\$ 6,672,376	\$ 6,660,466	\$ 6,309,447
	1,233,663	1,161,680	1,149,365	984,184	931,240
	97,379	180,125	191,049	187,970	171,846
	67,102	111,245	-	-	-
	771,574	868,064	1,003,630	1,035,370	957,635
	478,054	348,743	500,452	404,004	336,881
	33,019	35,244	38,728	27,473	32,385
	1,009,418	1,175,011	1,210,985	1,194,766	1,138,460
	362,847	392,992	353,995	357,675	311,966
	1,333,631	1,122,995	1,117,247	1,100,974	1,023,388
	851,300	986,260	813,566	809,574	877,702
	219,552	120,958	160,288	158,698	135,321
	425,493	463,918	442,368	436,982	422,276
	45,876	51,215	46,376	41,780	37,131
	83,740	63,469	72,164	-	-
	328,720	324,673	379,314	364,404	311,879
	793,879	759,783	608,716	-	5,175
	<u>14,723,844</u>	<u>14,870,788</u>	<u>14,760,619</u>	<u>13,764,320</u>	<u>13,002,732</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

CHANGES IN NET ASSETS - (Continued)
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Program Revenues	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:				
Charges for services:				
Instruction:				
Regular	\$ 671,489	\$ 525,405	\$ 494,562	\$ 367,690
Special	3,072	3,305	-	-
Vocational	-	-	-	-
Other	-	-	-	12,335
Support services:				
Pupil	8,032	22,915	30,376	41,347
Instructional staff	147	274	777	-
Operations and maintenance	5,826	6,269	8,238	11,061
Central	-	-	104	-
Operation of non-instructional services:				
Food service operations	350,391	353,457	381,544	355,508
Latchkey operations	49,896	47,652	53,391	53,036
Extracurricular activities	82,936	68,147	75,971	89,123
Operating grants and contributions:				
Instruction:				
Regular	460,915	46,816	38,437	3,237
Special	821,977	417,214	632,930	636,432
Vocational	12,863	12,767	13,128	13,777
Other	17,130	34,579	-	-
Support services:				
Pupil	147,577	148,962	123,445	181,590
Instructional staff	144,152	84,735	64,803	87,972
Administration	73,554	80,863	65,461	64,566
Fiscal	131	5,000	8,952	-
Operations and maintenance	258,388	254,918	-	9,000
Pupil transportation	55,002	101,401	60,045	51,872
Central	142,583	176,263	77	5,948
Operation of non-instructional services:				
Food service operations	180,203	154,812	138,247	114,059
Other non-instructional services	73,547	77,864	96,033	93,533
Extracurricular activities	1,401	6,732	6,070	100
Capital grants and contributions:				
Instruction:				
Regular	-	-	16,343	90,872
Support services:				
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	12,066	6,559
Extracurricular activities	-	5,000	126,930	-
Total governmental program revenues	<u>3,561,212</u>	<u>2,635,350</u>	<u>2,447,930</u>	<u>2,289,617</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (14,074,937)</u>	<u>\$ (14,445,500)</u>	<u>\$ (14,150,507)</u>	<u>\$ (13,851,017)</u>

Source: School District financial records. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	513,216	\$ 279,318	\$ 68,955	\$ 64,919	\$ 116,052
	-	-	-	-	-
	-	-	-	-	1,297
	-	-	-	-	-
	-	50,427	58,623	51,713	-
	-	-	-	-	-
	-	-	41,144	-	-
	-	-	-	-	-
	345,163	329,548	322,058	316,439	309,142
	56,826	51,053	-	34,625	40,384
	82,298	77,710	81,919	92,733	125,533
	11,000	62,428	148,934	109,217	368,410
	167,819	133,340	205,380	121,069	108,163
	-	-	-	-	41,783
	-	-	-	-	-
	210,367	226,407	134,043	103,189	104,913
	162,313	230,151	158,223	115,252	90,430
	20,000	-	19,948	10,411	6,426
	6,010	-	1,048	-	-
	-	-	13,881	14,027	9,456
	50,000	-	32,357	31,393	111,348
	5,513	9,623	3,370	2,860	-
	113,106	127,727	102,019	90,905	65,238
	93,653	93,973	85,042	-	-
	-	-	-	-	3,900
	13,694	-	15,225	-	-
	3,000	12,000	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>1,853,978</u>	<u>1,683,705</u>	<u>1,492,169</u>	<u>1,158,752</u>	<u>1,502,475</u>
\$	<u>(12,869,866)</u>	<u>(13,187,083)</u>	<u>(13,268,450)</u>	<u>(12,605,568)</u>	<u>(11,500,257)</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

CHANGES IN NET ASSETS - (Continued)
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

General Revenues and Other Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:				
Property taxes levied for:				
General purposes	\$ 5,098,704	\$ 4,849,409	\$ 4,295,550	\$ 5,459,903
Debt service	1,221,080	1,170,484	1,021,138	1,323,539
Capital outlay	218,383	205,597	183,446	233,573
Grants and entitlements not restricted to specific programs	7,498,166	7,709,810	7,695,009	7,525,555
Investment earnings	48,618	30,565	150,664	295,028
Miscellaneous	287,507	257,344	394,083	241,290
Total governmental activities	<u>14,372,458</u>	<u>14,223,209</u>	<u>13,739,890</u>	<u>15,078,888</u>
Special Item:				
Loss on sale of capital assets	-	-	(646,336)	-
Total special item	<u>-</u>	<u>-</u>	<u>(646,336)</u>	<u>-</u>
Change in Net Assets				
Governmental activities	<u>\$ 297,521</u>	<u>\$ (222,291)</u>	<u>\$ (1,056,953)</u>	<u>\$ 1,227,871</u>

Source: School District financial records. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

	2007	2006	2005	2004	2003
\$	4,954,642	\$ 4,833,720	\$ 5,141,885	\$ 4,306,050	\$ 4,144,328
	1,200,168	1,279,435	1,241,464	730,494	-
	217,326	229,046	246,558	214,036	210,352
	7,726,248	7,529,775	7,479,210	7,162,776	6,184,796
	414,223	350,042	72,983	69,031	133,858
	35,647	280,123	119,551	68,816	91,764
	<u>14,548,254</u>	<u>14,502,141</u>	<u>14,301,651</u>	<u>12,551,203</u>	<u>10,765,098</u>
	-	-	-	-	-
	-	-	-	-	-
	<u>\$ 1,678,388</u>	<u>\$ 1,315,058</u>	<u>\$ 1,033,201</u>	<u>\$ (54,365)</u>	<u>\$ (735,159)</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:				
Nonspendable	\$ 14,186	\$ -	\$ -	\$ -
Committed	20,000	-	-	-
Assigned	1,656,896	-	-	-
Unassigned	2,755,500	-	-	-
Reserved	-	313,189	508,715	1,346,813
Unreserved	-	4,055,093	4,111,347	2,883,542
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general fund	<u>\$ 4,446,582</u>	<u>\$ 4,368,282</u>	<u>\$ 4,620,062</u>	<u>\$ 4,230,355</u>
All Other Governmental Funds:				
Nonspendable	\$ 11,084	\$ -	\$ -	\$ -
Restricted	13,224,957	-	-	-
Committed	5,000	-	-	-
Unassigned (deficit)	(4,123)	-	-	-
Reserved	-	1,219,642	1,393,648	1,565,481
Unreserved (deficit), reported in:				
Special revenue funds	-	224,532	335,012	245,496
Capital projects funds	-	971,017	862,101	778,960
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total all other governmental funds	<u>13,236,918</u>	<u>2,415,191</u>	<u>2,590,761</u>	<u>2,589,937</u>
Total governmental funds	<u>\$ 17,683,500</u>	<u>\$ 6,783,473</u>	<u>\$ 7,210,823</u>	<u>\$ 6,820,292</u>

Source: School District financial records.

Note: The School District implemented GASB Statement 54 in 2011.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,198,693	1,320,915	1,094,117	634,171	599,210	931,330
<u>1,790,329</u>	<u>1,048,734</u>	<u>1,321,796</u>	<u>1,564,355</u>	<u>2,328,085</u>	<u>3,070,912</u>
<u>\$ 2,989,022</u>	<u>\$ 2,369,649</u>	<u>\$ 2,415,913</u>	<u>\$ 2,198,526</u>	<u>\$ 2,927,295</u>	<u>\$ 4,002,242</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,582,474	3,697,998	11,058,261	20,072,877	348,471	414,701
116,567	124,501	98,407	89,764	108,385	88,352
<u>644,198</u>	<u>(303,100)</u>	<u>1,078,722</u>	<u>(1,684,643)</u>	<u>691,275</u>	<u>767,402</u>
<u>2,343,239</u>	<u>3,519,399</u>	<u>12,235,390</u>	<u>18,477,998</u>	<u>1,148,131</u>	<u>1,270,455</u>
<u>\$ 5,332,261</u>	<u>\$ 5,889,048</u>	<u>\$ 14,651,303</u>	<u>\$ 20,676,524</u>	<u>\$ 4,075,426</u>	<u>\$ 5,272,697</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues				
From local sources:				
Taxes	\$ 6,811,405	\$ 6,273,572	\$ 5,403,970	\$ 6,883,813
Tuition and fees	603,722	454,021	419,581	355,958
Charges for services	343,880	341,006	366,484	355,508
Earnings on investments	48,229	28,962	151,933	298,446
Extracurricular	89,324	72,030	77,507	77,007
Classroom materials and fees	62,951	67,492	74,981	77,103
Rental income	5,826	6,269	6,613	11,061
Contributions and donations	3,654	16,820	38,395	32,543
Contract services	7,888	7,197	-	-
Other local revenues	345,605	336,753	610,810	292,410
Intergovernmental	-	-	-	-
Intergovernmental - intermediate	10,055	5,902	7,420	7,049
Intergovernmental - state	7,650,851	7,885,218	8,244,818	8,093,186
Intergovernmental - federal	1,890,678	1,361,162	694,053	728,894
Total revenues	<u>17,874,068</u>	<u>16,856,404</u>	<u>16,096,565</u>	<u>17,212,978</u>
Expenditures				
Current:				
Instruction:				
Regular	7,355,952	7,021,672	6,935,336	6,733,121
Special	1,705,416	1,638,378	1,416,148	1,181,419
Vocational	102,179	100,478	102,032	97,689
Other	91,730	116,797	89,025	71,238
Support services:				
Pupil	1,001,149	882,916	805,837	824,645
Instructional staff	470,510	529,378	439,700	450,490
Board of education	32,725	34,668	42,208	39,158
Administration	1,201,544	1,246,756	1,134,662	1,121,363
Fiscal	455,803	417,531	413,401	391,455
Operations and maintenance	1,112,437	1,217,001	1,307,832	1,167,067
Pupil transportation	842,862	1,034,244	933,691	838,352
Central	377,054	384,903	462,887	242,335
Operation of non-instructional services:				
Food service operations	493,375	481,473	480,562	451,830
Latchkey operations	49,485	55,778	59,162	53,322
Other non-instructional services	86,977	111,471	80,774	118,962
Extracurricular activities	381,467	396,081	363,707	354,924
Facilities acquisition and construction	786,805	147,450	1,721,517	244,543
Capital outlay	372,368	-	-	-
Debt service:				
Principal retirement	883,287	734,000	645,000	605,000
Interest and fiscal charges	1,044,231	734,586	754,830	738,034
Bond issuance costs	225,915	-	-	-
Total expenditures	<u>19,073,271</u>	<u>17,285,561</u>	<u>18,188,311</u>	<u>15,724,947</u>
Excess (deficiency) of revenues over (under) expenditures	(1,199,203)	(429,157)	(2,091,746)	1,488,031

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	6,295,184	\$ 6,339,828	\$ 6,621,876	\$ 5,238,181	\$ 4,369,648	\$ 4,482,878
	377,456	330,371	109,599	98,444	99,545	45,024
	334,798	309,497	316,175	316,439	308,437	-
	344,099	324,107	434,021	237,101	114,945	147,889
	87,732	97,513	105,249	105,512	120,231	109,597
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	233,164	165,753	150,652	101,322	159,613	77,421
	8,582,723	8,424,561	8,398,680	7,761,099	7,090,395	6,755,862
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>16,255,156</u>	<u>15,991,630</u>	<u>16,136,252</u>	<u>13,858,098</u>	<u>12,262,814</u>	<u>11,618,671</u>

	6,784,944	6,782,001	6,679,794	6,507,446	6,277,489	5,392,005
	1,262,793	1,168,387	1,127,148	983,149	928,148	819,509
	99,547	180,861	189,986	184,712	169,711	144,435
	70,893	113,592	-	-	-	-
	804,530	932,756	995,821	1,031,548	931,179	833,927
	501,623	360,100	418,128	401,779	330,787	273,048
	33,019	35,244	38,728	27,473	32,385	29,100
	996,544	1,208,170	1,221,624	1,202,925	1,113,249	960,445
	380,471	413,774	349,545	357,144	307,648	296,220
	1,370,859	1,144,122	1,104,670	1,043,890	1,069,185	930,323
	842,977	957,829	764,552	743,655	816,167	636,816
	217,950	124,855	160,113	157,177	134,445	122,695
	428,268	471,346	445,941	433,690	421,298	-
	45,876	52,443	46,496	43,000	-	-
	83,740	63,469	72,164	-	36,883	-
	318,879	326,982	375,711	361,914	310,056	263,567
	-	-	-	-	-	-
	1,309,580	9,182,968	7,018,313	1,136,276	120,011	292,196
	510,000	475,000	1,154,418	-	130,000	125,000
	749,450	760,575	-	148,750	5,175	15,188
	-	-	-	-	-	-
	<u>16,811,943</u>	<u>24,754,474</u>	<u>22,163,152</u>	<u>14,764,528</u>	<u>13,133,816</u>	<u>11,134,474</u>

(556,787)

(8,762,844)

(6,026,900)

(906,430)

(871,002)

484,197

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS - (Continued)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Other Financing Sources (Uses)				
Lease-purchase agreement	\$ -	\$ -	\$ 890,000	\$ -
Sale of capital assets	-	1,807	10,030	-
Transfers in	17,096	25,000	1,017,061	11,687
Transfers (out)	(17,096)	(25,000)	(28,937)	(11,687)
Premium on notes and bonds sold	226,875	-	-	-
Sale of bonds	11,499,987	-	-	-
Capital lease transaction	372,368	-	-	-
Pass-through	-	-	-	-
Total other financing sources (uses)	<u>12,099,230</u>	<u>1,807</u>	<u>1,888,154</u>	<u>-</u>
Special Item				
Sale of capital assets	-	-	594,123	-
Total special item	<u>-</u>	<u>-</u>	<u>594,123</u>	<u>-</u>
Net change in fund balances	<u>\$ 10,900,027</u>	<u>\$ (427,350)</u>	<u>\$ 390,531</u>	<u>\$ 1,488,031</u>
Capital expenditures	\$ 1,163,719	\$ 232,781	\$ 1,717,822	\$ 370,430
Debt service as a percentage of noncapital expenditures	12.02%	8.61%	8.50%	8.75%

Source: School District financial records.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	589	1,679	-	814	504
-	2,507	17,685,741	30,000	38,500	208,721
-	(2,507)	(17,685,741)	(30,000)	(38,500)	(208,721)
-	-	-	8,628	-	-
-	-	-	17,500,000	-	-
-	-	-	-	-	-
-	-	-	(1,100)	-	-
-	589	1,679	17,507,528	814	504
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (556,787)</u>	<u>\$ (8,762,255)</u>	<u>\$ (6,025,221)</u>	<u>\$ 16,601,098</u>	<u>\$ (870,188)</u>	<u>\$ 484,701</u>
\$ 1,972,910	\$ 9,156,879	\$ 6,817,425	\$ 1,091,413	\$ 184,909	\$ 144,690
8.49%	7.92%	7.52%	1.09%	1.04%	1.28%

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS

Collection Year	Real Property (a)		Tangible Personal Property (b)		Public Utility (c)	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2011	\$ 254,638,260	\$ 727,537,886	\$ -	\$ -	\$ 10,818,110	\$ 30,908,886
2010	252,011,520	720,032,914	721,700	2,886,800	8,515,930	24,331,229
2009	265,642,394	758,978,269	2,909,940	11,639,760	10,150,420	29,001,200
2008	261,007,180	745,734,800	2,233,899	8,935,596	10,066,060	28,760,171
2007	255,923,180	731,209,086	4,535,488	18,141,952	12,065,090	34,471,686
2006	223,290,830	637,973,800	6,102,357	24,409,428	11,594,330	33,126,657
2005	214,193,470	611,981,343	7,207,612	28,830,448	13,694,286	39,126,531
2004	203,806,930	582,305,514	6,956,079	27,824,316	13,216,381	37,761,089
2003	177,929,030	508,368,657	7,705,813	30,823,252	14,640,857	41,831,020
2002	171,943,110	491,266,029	8,887,460	35,549,840	12,453,490	35,581,400

Source: School District financial records.

Notes:

- (a) The assessed value of real property is fixed at 35% of true value and is determined pursuant to the State Tax Commissioner.
- (b) The rate at which tangible personal property used in business is assessed for purposes ad valorem property taxation decreased one percent each year from 35% in 1983 until it reached 25% in 1993.
- (c) Assumes public utilities are assessed at true value which is 35%.

		Total		
Total Direct Tax Rate	Assessed Value	Estimated Actual Value	%	
\$ 49.83	\$ 265,456,370	\$ 758,446,771	35.00%	
49.90	261,249,150	747,250,943	34.96%	
49.60	278,702,754	799,619,229	34.85%	
49.75	273,307,139	783,430,567	34.89%	
49.91	272,523,758	783,822,723	34.77%	
50.21	240,987,517	695,509,885	34.65%	
50.21	235,095,368	679,938,322	34.58%	
50.21	223,979,390	647,890,919	34.57%	
44.60	200,275,700	581,022,929	34.47%	
52.60	193,284,060	562,397,269	34.37%	

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(RATE PER \$1,000 OF ASSESSED VALUE)
LAST TEN YEARS

Tax Year/ Collection Year	Lorain County	City of Elyria	Village of Lagrange	Township of Carlisle	Township of Elyria	Township of Lagrange	Township of New Russia
2010/2011	\$ 13.69	\$ 6.10	\$ 6.23	\$ 7.28	\$ 7.78	\$ 8.08	\$ 4.59
2009/2010	13.39	5.68	6.23	7.28	7.78	8.08	4.59
2008/2009	13.39	4.78	6.23	7.28	7.78	7.28	4.59
2007/2008	13.39	4.78	8.93	7.28	7.78	7.28	5.97
2006/2007	13.49	4.78	8.93	7.28	7.78	7.28	5.97
2005/2006	13.49	4.78	8.93	7.28	7.78	7.28	5.97
2004/2005	13.19	4.78	8.93	7.28	7.78	7.28	6.40
2003/2004	12.89	3.78	8.93	7.28	7.78	7.28	6.40
2002/2003	12.89	3.78	8.93	7.28	7.78	7.28	6.40
2001/2002	12.89	3.78	9.02	7.28	7.78	7.28	6.40

Source: Lorain County Auditor's Office.

		Keystone Local School District						
		Voted						
Township of Penfield	Township of Pittsfield	General	Bond	Permanent Improvement	Unvoted	Total		
\$ 10.78	\$ 9.72	\$ 37.98	\$ 5.23	\$ 2.00	\$ 4.62	\$ 49.83		
10.78	9.72	37.98	5.30	2.00	4.62	49.90		
10.78	9.72	37.98	5.00	2.00	4.62	49.60		
10.78	11.10	37.98	5.15	2.00	4.62	49.75		
10.78	11.10	37.98	5.31	2.00	4.62	49.91		
11.78	11.10	37.98	5.61	2.00	4.62	50.21		
12.03	11.78	37.98	5.61	2.00	4.62	50.21		
12.03	11.78	37.98	5.61	2.00	4.62	50.21		
10.53	11.78	37.98	-	2.00	4.62	44.60		
10.53	11.78	45.98	-	2.00	4.62	52.60		

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2010 AND DECEMBER 31, 2002

December 31, 2010			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Columbia Gas Transmission	\$ 6,705,780	1	2.53%
Lorain Medina Rural Electric	2,948,000	2	1.11%
Ohio Edison/First Energy	2,562,090	3	0.97%
Grey Hawk	1,997,490	4	0.75%
Sentinel Square	1,221,270	5	0.46%
Durham Ridge Investments	1,176,570	6	0.44%
Elyria Country Club	1,026,750	7	0.39%
Twin Lakes LTD	929,650	8	0.35%
Gordon Farms	848,220	9	0.32%
Varbros LLC	809,410	10	0.30%
Total	<u>\$ 20,225,230</u>		<u>7.62%</u>

December 31, 2002			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Columbia Gas Transmission	\$ 4,229,660	1	2.11%
Ohio Edison/First Energy	1,831,070	2	0.91%
Elyria Country Club	1,392,000	3	0.70%
Alltel of Ohio	1,372,530	4	0.69%
Kaltenbach Foods, Inc.	1,016,240	5	0.51%
Lorain Medina Rural Electric	935,110	6	0.47%
Twin Lakes LTD	907,480	7	0.45%
MCI WorldCom	790,620	8	0.39%
Gordon Farms	777,300	9	0.39%
Manufacturers Holding, Inc.	587,320	10	0.29%
Total	<u>\$ 13,839,330</u>		<u>6.91%</u>

Source: Lorain County Auditor's Office.

Note: Information on principal property tax payers prior to December 31, 2002 was unavailable.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Tax Year/ Collection Year	Current Levy	Current Collection	Percent of Current Levy Collected	Delinquent Collection (a)	Total Collection	Total Collection as a Percent of Total Levy
2010/2011	\$ 7,418,268	\$ 7,433,938	100.21%	\$ 264,604	\$ 7,698,542	103.78%
2009/2010	7,321,678	7,323,056	100.02%	268,712	7,591,768	103.69%
2008/2009	7,353,741	7,205,996	97.99%	275,376	7,481,372	101.74%
2007/2008	7,372,697	7,273,372	98.65%	251,484	7,524,856	102.06%
2006/2007	7,445,731	7,475,900	100.41%	262,844	7,738,744	103.94%
2005/2006	6,872,299	6,795,280	98.88%	285,145	7,080,425	103.03%
2004/2005	6,713,268	6,652,544	99.10%	213,483	6,866,027	102.28%
2003/2004	6,493,065	6,513,315	100.31%	238,832	6,752,147	103.99%
2002/2003	4,714,028	4,699,531	99.69%	191,955	4,891,486	103.76%
2001/2002	5,046,881	5,049,602	100.05%	171,269	5,220,871	103.45%

Source: Lorain County Auditor's Office.

Notes:

The Total Collection as a Percent of Total Levy column includes percentages in excess of 100% due to timing issues with the collection of property taxes.

(a) The Delinquent Collection amount for 2009/2010 was unavailable from Lorain County due to severe software problems. Therefore, the District used a four year average of 2005/2006 through 2008/2009 as an estimate for 2009/2010.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				(a) Total Primary Government	(b) Per Capita	(b) Per ADM
	General Obligation Bonds	Lease- Purchase Agreement	Bond Anticipation Notes	Capital Leases			
2011	\$ 25,131,649	\$ 800,000	\$ -	\$ 340,081	\$ 26,271,730	\$ 340	\$ 15,592
2010	14,399,488	846,000	-	-	15,245,488	192	8,952
2009	15,068,794	890,000	-	-	15,958,794	201	9,235
2008	15,694,213	-	-	-	15,694,213	198	8,989
2007	16,275,491	-	-	-	16,275,491	205	9,037
2006	16,740,000	-	-	-	16,740,000	210	9,188
2005	17,215,000	-	-	-	17,215,000	215	9,516
2004	17,500,000	-	17,500,000	-	35,000,000	438	19,084
2003	-	-	-	-	-	-	-
2002	130,000	-	-	-	130,000	2	71

Sources:

- (a) See notes to the financial statements regarding the District's outstanding debt information.
- (b) See schedule "Demographic and Economic Statistics, Last Ten Years" for personal income, population and enrollment information.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			(c) Percentage of Actual Taxable Value of Property	(b) Net Bonded Debt Per Capita
	(a) General Obligation Bonds	Debt Service Available Balance	Net Bonded Debt		
2011	\$ 25,131,649	\$ 964,028	\$ 24,167,621	3.19%	\$ 312
2010	14,399,488	1,142,605	13,256,883	1.77%	167
2009	15,068,794	1,193,326	13,875,468	1.74%	175
2008	15,694,213	1,402,119	14,292,094	1.82%	180
2007	16,275,491	1,305,862	14,969,629	1.91%	189
2006	16,740,000	1,255,416	15,484,584	2.23%	195
2005	17,215,000	1,077,688	16,137,312	2.37%	202
2004	17,500,000	18,502,977	(1,002,977)	-0.15%	(13)
2003	-	224,965	(224,965)	-0.04%	(3)
2002	130,000	360,140	(230,140)	-0.04%	(3)

Sources:

- (a) See notes to the financial statements regarding the District's outstanding debt information.
- (b) See schedule "Demographic and Economic Statistics, Last Ten Years" for population information.
- (c) See schedule "Assessed Valuation and Estimated Actual Value of Taxable Property, Last Ten Years" for assessed valuation information.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 26,271,730	100.00%	\$ 26,271,730
Overlapping debt:			
Lorain County	26,660,000	3.95%	1,053,070
City of Elyria	28,225,000	0.16%	45,160
Township of Carlisle	270,000	34.62%	93,474
Total overlapping debt	<u>55,155,000</u>		<u>1,191,704</u>
Total direct and overlapping debt	<u>\$ 81,426,730</u>		<u>\$ 27,463,434</u>

Source: Ohio Municipal Advisory Council.

Note: Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the District by the total assessed valuation of the subdivision. The valuations used were for the 2011 collection year.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal Year	Voted Debt Limit	Total Debt Applicable to Limit (a)	Debt Service Available Balance	Net Debt Applicable to Limit	Voted Legal Debt Margin (b)	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2011	\$ 23,636,620	\$ 24,984,987	\$ 964,028	\$ 24,020,959	\$ (384,339)	101.63%
2010	23,447,471	14,290,000	1,142,605	13,147,395	10,300,076	56.07%
2009	24,811,556	14,980,000	1,193,326	13,786,674	11,024,882	55.57%
2008	24,379,249	15,625,000	1,402,119	14,222,881	10,156,368	58.34%
2007	24,527,138	16,230,000	1,305,862	14,924,138	9,603,000	60.85%
2006	21,688,877	16,740,000	1,255,416	15,484,584	6,204,293	71.39%
2005	21,158,583	17,215,000	1,077,688	16,137,312	5,021,271	76.27%
2004	20,158,145	17,500,000	18,502,977	(1,002,977)	21,161,122	-4.98%
2003	18,024,813	-	224,965	(224,965)	18,249,778	-1.25%
2002	17,395,565	130,000	360,140	(230,140)	17,625,705	-1.32%

Source: School District financial records.

Notes: Ohio Bond Law sets a limit of 9% for voted debt and 1/10 of 1% for unvoted debt. House Bill 530 became effective on March 30, 2006, which excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

(a) Total Debt Applicable to Limit excludes accreted interest on capital appreciation bonds.

(b) The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (a)</u>	<u>Per Capita Personal Income (b)</u>	<u>Total Personal Income</u>	<u>School Enrollment (c)</u>	<u>Unemployment Rates</u>		
					<u>Lorain County</u>	<u>Ohio</u>	<u>United States</u>
2011	77,348	\$ 33.12	\$ 2,561,766	1,685	8.2%	8.8%	9.2%
2010	79,375	33.12	2,628,900	1,703	10.1%	10.5%	9.5%
2009	79,375	32.35	2,567,781	1,728	9.7%	10.4%	9.6%
2008	79,375	32.35	2,567,781	1,746	7.0%	6.7%	5.7%
2007	79,343	32.35	2,566,746	1,801	6.2%	5.5%	4.7%
2006	79,565	22.85	1,818,060	1,822	5.5%	5.9%	5.1%
2005	80,061	29.95	2,397,827	1,809	5.8%	6.2%	5.5%
2004	79,887	29.95	2,392,616	1,834	6.7%	5.7%	5.1%
2003	79,772	28.59	2,280,681	1,849	7.3%	5.5%	5.7%
2002	79,847	27.41	2,188,606	1,836	6.8%	5.3%	6.0%

Sources:

- (a) 2010 U. S. Census Bureau.
- (b) Lorain County Auditor's Office.
- (c) Enrollment figures are taken from District records.

Note: Per Capita Personal Income and Total Personal Income are in units of thousands.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

PRINCIPAL EMPLOYERS
CURRENT YEAR AND TWO YEARS AGO

December 31, 2010		
Employer	Employees	Rank
Keystone Local School District	198	1
Keystone Pointe	160	2
Micron Manufacturing	75	3
Inservco	71	4
West Roofing	50	5
Grey Hawk	50	6
Spacebound	35	7
Madar Machine	32	8
Varbros LLC	20	9
Village of Lagrange	18	10
Total	709	

December 31, 2008		
Employer	Employees	Rank
Keystone Local School District	192	1
Keystone Pointe	160	2
Inservco	85	3
West Roofing	50	4
Grey Hawk	40	5
Madar Machine	31	6
Micron Manufacturing	30	7
Spacebound	27	8
Varbros LLC	23	9
Village of Lagrange	17	10
Total	655	

Source: Individual employers.

Note: Information was unavailable at December 31, 2001.

Information related to total employment within the District was unavailable at both December 31, 2010 and December 31, 2008. Therefore, the above totals by employer could not be expressed as a percentage of total employment.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**STAFFING STATISTICS
FULL TIME EQUIVALENTS (FTE) BY TYPE AND FUNCTION
LAST EIGHT FISCAL YEARS**

Type	2011	2010	2009	2008	2007	2006	2005	2004
Office - administrative	12.02	11.86	12.02	11.99	12.05	15.25	15.59	13.58
Professional - educational	102.31	107.19	98.51	98.18	96.31	106.53	107.37	117.81
Professional - other	13.67	15.52	15.55	12.97	16.26	18.06	16.31	16.84
Technical	1.00	1.00	1.00	-	-	-	-	-
Office - clerical	13.35	13.35	13.36	13.24	13.14	15.06	15.54	15.87
Craft & trade	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Service worker/laborer	34.72	35.65	35.35	32.46	33.22	33.82	42.26	48.49
Total	178.07	185.57	176.79	169.84	171.98	189.72	198.07	213.59

Function	2011	2010	2009	2008	2007	2006	2005	2004
Instruction:								
Regular	77.31	81.89	79.31	83.10	81.31	90.95	91.81	92.81
Special	14.00	14.30	12.20	11.58	11.50	12.50	11.50	11.50
Vocational	1.00	1.00	1.00	1.00	1.00	2.00	2.13	2.00
Other	2.00	2.00	2.00	2.00	2.00	3.72	2.00	6.00
Support Services:								
Pupil	7.00	7.00	6.00	18.47	21.76	23.56	23.19	24.34
Instructional staff	17.53	19.38	19.55	4.00	4.00	4.72	4.62	4.57
Administration	19.65	19.49	16.53	13.24	13.14	14.34	13.97	18.30
Fiscal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations and maintenance	12.00	12.60	12.00	11.00	12.00	11.00	12.89	17.52
Pupil transportation	13.36	13.69	13.91	13.66	13.95	14.20	14.24	14.83
Central	1.00	1.00	1.00	0.17	0.17	0.17	3.00	2.00
Operation of Non-Instructional Services:								
Food service operations	8.76	8.76	8.69	8.17	7.83	7.89	11.72	11.36
Other non-instructional	3.46	3.46	3.60	2.45	2.32	3.67	6.00	7.36
Total Governmental Activities	178.07	185.57	176.79	169.84	171.98	189.72	198.07	213.59

Source: District records.

Note: Staffing statistics for fiscal years 2002-2003 were not available.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Instruction:										
Regular and Special										
Enrollment (students)	1,685	1,703	1,750	1,780	1,836	1,874	1,912	1,905	1,900	1,880
Graduates	132	138	142	142	127	136	132	131	128	(a)
Support services:										
Board of education										
Regular meetings per year	19	22	23	22	22	24	22	19	24	24
Special meetings per year	6	6	2	2	-	3	1	5	2	2
Fiscal										
Nonpayroll checks issued	2,513	2,563	2,961	2,749	2,807	3,019	3,065	3,016	2,995	2,803
Operations and maintenance										
Square footage maintained	249,370	249,370	249,370	249,370	249,370	197,170	197,170	197,170	197,170	197,170
Pupil transportation										
Avg. students transported daily (b)	642	647	701	716	861	1,370	1,563	1,561	1,561	1,561
Food service operations										
Meals served to students	109,288	109,391	93,460	90,949	93,685	112,199	107,175	103,776	98,352	104,249
Number of students with free or reduced lunches	463	379	391	542	335	397	269	244	221	227

Source: District records.

Notes:

- (a) Figure for Graduates was not readily available for this fiscal year.
- (b) Figure includes public and nonpublic riders.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**CAPITAL ASSET STATISTICS
LAST NINE FISCAL YEARS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
Construction in progress	695,396	-	1,364,921	-
Land improvements	2,704,100	2,856,413	1,632,370	1,682,140
Buildings and improvements	14,292,785	14,803,729	15,358,091	16,987,163
Furniture and equipment	634,566	326,363	305,854	335,266
Vehicles	331,000	375,919	284,523	259,227
Total Governmental Activities				
Capital Assets, net	<u>\$ 19,179,663</u>	<u>\$ 18,884,240</u>	<u>\$ 19,467,575</u>	<u>\$ 19,785,612</u>

Source: School District financial records. The District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

2007	2006	2005	2004	2003
\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 399,414
-	16,744,797	7,672,018	881,477	-
1,760,200	234,994	241,420	244,908	188,946
17,441,843	3,359,812	3,405,751	3,441,144	3,471,209
268,566	175,455	186,627	183,305	224,658
232,816	347,426	360,479	415,860	474,268
<u>\$ 20,225,241</u>	<u>\$ 21,384,300</u>	<u>\$ 12,388,111</u>	<u>\$ 5,688,510</u>	<u>\$ 4,758,495</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

**SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	578	588	599	609
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	559	544	540	552
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	548	571	589	585
Total enrollment by year	1,685	1,703	1,728	1,746

Source: District records.

Notes: Year of original construction is in parentheses.

In cases in which enrollment numbers are larger than capacity, the District has utilized portable classrooms which are not included in the square footage amounts.

(a) Keystone High School was constructed during fiscal year 2006 and information relating to square footage and capacity of the previous high school building is unavailable for prior years.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
106,884	106,884	(a)	(a)	(a)	(a)
625	625	(a)	(a)	(a)	(a)
623	615	596	623	609	579
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
582	597	622	593	601	607
57,096	57,096	57,096	57,096	57,096	57,096
381	381	381	381	381	381
596	610	591	618	639	650
1,801	1,822	1,809	1,834	1,849	1,836

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	General Government		Governmental Activities (b)			Percent Change	Teaching Staff	Pupil/Teacher Ratio
	Expenditures (a)	Cost per pupil	Expenses (a)	Cost per pupil	Enrollment (c)			
2011	\$ 16,919,838	\$ 10,041	\$ 16,493,230	\$ 9,788	1,685	-1.06%	106	15.90
2010	15,816,975	9,288	16,327,439	9,587	1,703	-1.45%	109	15.62
2009	16,788,481	9,716	15,825,639	9,158	1,728	-1.03%	108	16.00
2008	14,381,913	8,237	15,380,138	8,809	1,746	-3.05%	101	17.29
2007	15,552,493	8,635	13,929,965	7,735	1,801	-1.15%	101	17.83
2006	23,518,899	12,908	14,111,005	7,745	1,822	0.72%	106	17.19
2005	21,008,734	11,613	14,151,903	7,823	1,809	-1.36%	123	14.71
2004	14,615,778	7,969	13,764,320	7,505	1,834	-0.81%	123	14.91
2003	12,998,641	7,030	12,997,557	7,030	1,849	0.71%	124	14.91
2002	10,994,286	5,988	n/a	n/a	1,836	-2.70%	122	15.05

Source: School District financial records.

Notes:

- (a) Debt Service totals have been excluded.
- (b) The District implemented GASB 34 in fiscal year 2003.
- (c) Enrollment figures are taken from District records.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report on Applying Agreed-Upon Procedure

Board of Education
Keystone Local School District
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Keystone Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Julian & Grube, Inc.
December 28, 2011

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Dave Yost • Auditor of State

KEYSTONE LOCAL SCHOOL DISTRICT

LORAIN 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 14, 2012