

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

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

PHILLIP BUTTO, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Keystone Local School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 8, 2010

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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 Auditor's 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

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, 2009, and have issued our report thereon dated November 20, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Keystone Local School District's basic financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Julian & Grube, Inc.
November 20, 2009

**KEYSTONE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(D) National School Lunch Program	10.555	2009	\$ 122,479	\$ 122,479
(C) National School Lunch Program - Food Donation	10.555	2009	12,005	12,005
Total National School Lunch Program			134,484	134,484
Total U.S. Department of Agriculture			134,484	134,484
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2008	(368)	1,516
Title I Grants to Local Educational Agencies	84.010	2009	159,122	121,082
Total Title I Grants to Local Educational Agencies			158,754	122,598
(E) Special Education_Grants to States	84.027	2008	(10,305)	2,753
(E) Special Education_Grants to States	84.027	2009	345,834	334,504
Total Special Education_Grants to States			335,529	337,257
(E) Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	(365)	-
(E) Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	4,994	4,994
Total Safe and Drug-Free Schools and Communities_State Grants			4,629	4,994
(F) State Grants for Innovative Programs	84.298	2009	17,900	17,900
Total State Grants for Innovative Programs			17,900	17,900
(F) Education Technology State Grants	84.318	2009	11,559	9,196
Total Education Technology State Grants			11,559	9,196
Improving Teacher Quality State Grants	84.367	2008	21,435	22,141
(F) Improving Teacher Quality State Grants	84.367	2009	33,296	4,671
Total Improving Teacher Quality State Grants			54,731	26,812
Total U.S. Department of Education			583,102	518,757
Total Federal Financial Assistance			\$ 717,586	\$ 653,241

(A) OAKS did not assign pass-through numbers for fiscal year 2009

(B) This schedule was prepared on the cash basis of accounting

(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.

(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis

(E) 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 approval from the Ohio Department of Education, or the U.S. Department of Education, 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 approved between the cost center. During fiscal year 2009, the following amounts were authorized for transfer

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education Grants to States	84.027	2008	\$ 10,305	
Special Education Grants to States	84.027	2009		\$ 10,305
Safe and Drug-Free Schools and Communities State Grants	84.186	2008	\$ 365	
Safe and Drug-Free Schools and Communities State Grants	84.186	2009		\$ 365

(F) The following amounts were transferred between grants based on ODE administrative action and transferability guidelines during fiscal year 200

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Improving Teacher Quality	84.367	2009	\$ 24,962	
State Grants for Innovative Programs	84.298	2009		\$ 14,962
Education Technology State Grants	84.318	2009		\$ 10,000



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

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, 2009, which collectively comprise Keystone Local School District's basic financial statements and have issued our report thereon dated November 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Keystone Local School District

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Keystone Local School District in a separate letter dated November 20, 2009.

This report is intended solely for the information and use of the management and Board of Education of Keystone Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
November 20, 2009



Julian & Grube, Inc.

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

Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

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

Compliance

We have audited the compliance of 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 are applicable to its major federal program for the fiscal year ended June 30, 2009. Keystone Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Keystone Local School District's management. Our responsibility is to express an opinion on 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Keystone Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Keystone Local School District's compliance with those requirements.

In our opinion, Keystone Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Board of Education
Keystone Local School District

Internal Control Over Compliance

The management of Keystone Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Keystone Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Keystone Local School District's internal control over compliance.

A control deficiency in Keystone Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Keystone Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Keystone Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Keystone Local School District's internal control.

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 that might be 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.

This report is intended for the information and use of management and Board of Education of Keystone Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
November 20, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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 other 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 the major federal program?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for the major federal program?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grants to States - CFDA #84.027
<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>	No

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
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None.



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Keystone Local School District
Lorain County
301 Liberty Street
P.O. Box 65
LaGrange, Ohio 44050-9496

To the Board of Education:

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

Independent Auditor's Report on Applying Agreed-Upon Procedures
Keystone Local School District

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education of Keystone Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
November 20, 2009

Keystone Local School District

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2009



Board of Education
Keystone Local School District
Lagrange, Ohio



Dr. Gary Friedt
Superintendent

Phillip D. Butto IV, CPA
Treasurer/CFO

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INTRODUCTORY SECTION

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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KEYSTONE LOCAL SCHOOL DISTRICT

December 31, 2009

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, 2009 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, 2009, 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 (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 Management's Discussion and Analysis (MD&A).

Management's Discussion and Analysis (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. The District has recently been notified that it was placed on the Ohio School Facilities Commission priority list for the construction of new elementary and middle schools. 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. Dr. Gary Friedt, currently in his ninth year as Superintendent of the District, has served public education for 35 years. 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 Butto has been the Treasurer/CFO of the District since 2006 and has served public education for 11 years.

Educational Highlights & Strategy

The District has achieved its goal of being designated "Excellent" on its State report card for the first time in fiscal year 2009. All three District buildings improved their performance index score for the third consecutive year. All of these academic achievements occurred as a result of teamwork and strategy. In March of 2009, the District formalized its strategy in the form of a 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 an "Excellent District" and one of the top three districts in Lorain County by fiscal year 2014. Specifically these goals are as follows:

- By January 2009 develop a comprehensive (instructional, extra-curricular, 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 seven 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. The District maintains a high efficiency rating. Of all the excellently rated districts in Lorain County, the District has one of the lowest cost per pupil rates at \$9,716. 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 Keystone Financial Advisory Committee has been formed as part of its 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. 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 are expected to decline, due to national economic setbacks, local property taxes should remain 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. District enrollment has declined slightly over the last three years in conjunction with overall State trends. However, projected District enrollment over the next five years is expected to remain relatively stable. 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 will be taking advantage of approximately \$500,000 in American Recovery and Reinvestment Act funds. In addition, the District has taken a leading role in utilizing grant funds to finance its Project Lead the Way program. The District will also apply for Race to the Top funding. In addition, the District is in the very beginning stages of developing a plan to address the need for new operating funds in three to four 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. Once given approval from the State, the District will begin the process of planning for an Ohio School Facilities Commission project to complete the District's campus with new elementary and middle schools. In August of 2009 the District opened its new all-weather track. The District will 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 monthly 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. Non-major 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 Education Computer Association (LEECA), the Lake Erie Regional Council (LERC), the Ohio Schools Council Association and the Ohio Association of School Business Officials Workers' Compensation Group Rating Program. These organizations are presented in Note 2.A to the basic financial statements.

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,



Mr. Phillip D. Butto IV, CPA
Treasurer/CFO

**Keystone Local School District
List of Principal Officials
As of June 30, 2009**

Board of Education

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

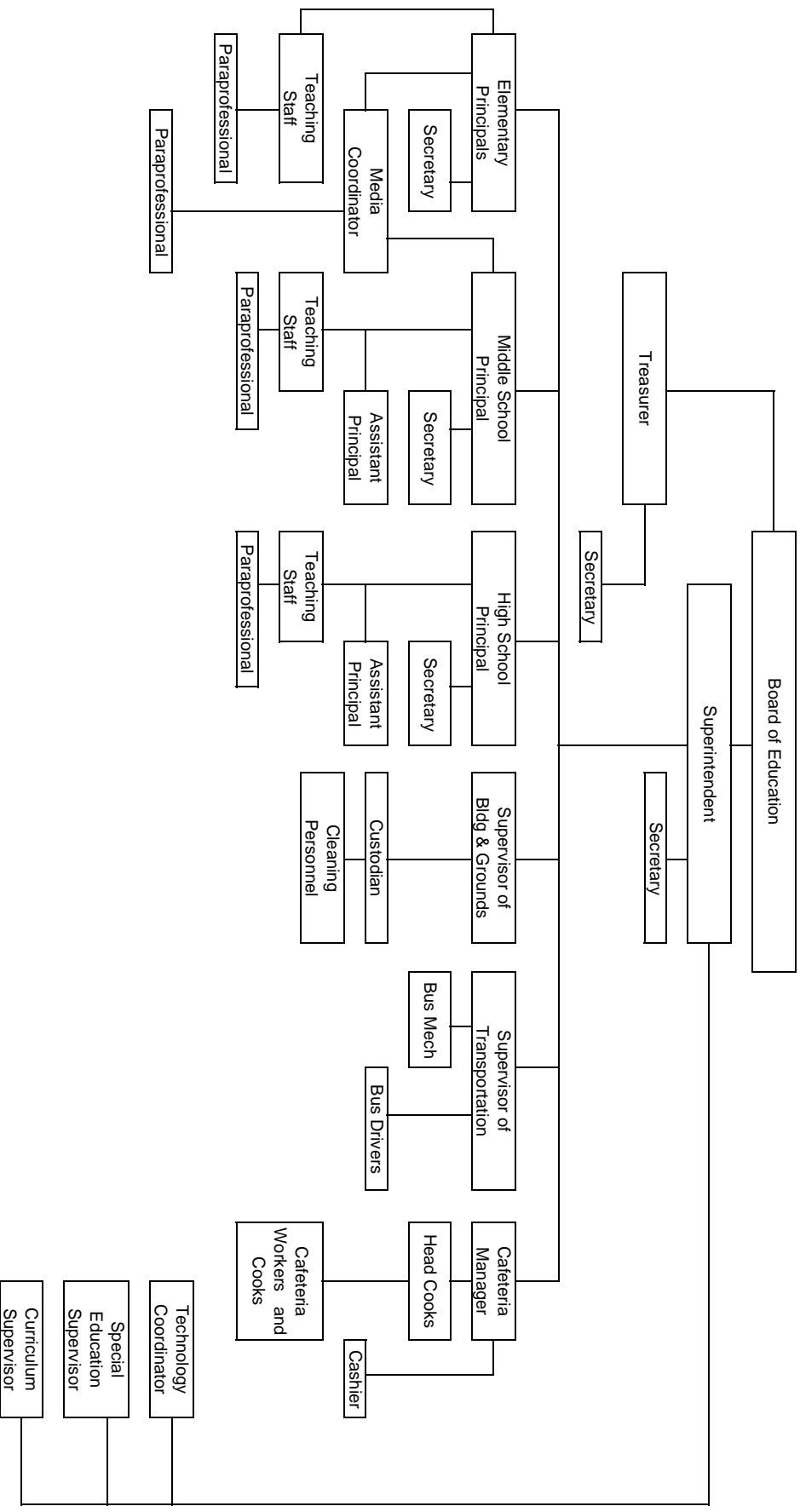
Administration

Dr. Gary Friedt	Superintendent
Bruce Bradley	Director of Curriculum & Instruction
Sara Walker	Coordinator of Special Education
Paula Perhot	Coordinator of Communications
Thomas Clary	High School Principal
Timothy Jenkins	Middle School Principal
Ryan Coleman	Elementary School Principal
Michael Smith	Maintenance Supervisor
Jodie White	Supervisor of Food Services
Margaret Miller	Supervisor of Transportation Services

Treasurer/CFO

Mr. Phillip D. Butto IV

KEYSTONE LOCAL SCHOOL DISTRICT ORGANIZATIONAL CHART



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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 Auditor's 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 Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Keystone Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Keystone Local School District, Lorain County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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.

Independent Auditor's Report
Keystone Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of Keystone Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keystone Local School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements of Keystone Local School District. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Julian & Grube, Inc.
November 20, 2009

FINANCIAL SECTION

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

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, 2009. 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 2009 are as follows:

- During fiscal year 2009, net assets of governmental activities decreased \$1,056,953 from \$11,307,220 to \$10,250,267. This represents a 9.35% decrease from June 30, 2008.
- General revenues accounted for \$13,739,890 in revenue or 84.88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,447,930 or 15.12% of total revenues of \$16,187,820.
- The District had \$16,598,437 in expenses related to governmental activities; only \$2,447,930 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 \$13,739,890 were not adequate to provide for these programs.
- The general fund and debt service fund are the only major funds of the District. The general fund had \$14,230,444 in revenues and other financing sources and \$13,840,737 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$389,707 from \$4,230,355 to \$4,620,062.
- The debt service fund had \$1,181,210 in revenues and \$1,390,003 in expenditures. During fiscal year 2009, the debt service fund's fund balance decreased \$208,793 from \$1,402,119 to \$1,193,326.

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 and debt service 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, 2009
(UNAUDITED)

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 2009?" 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 operation.

The District's statement of net assets and statement of activities can be found on pages 23 and 24 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 18. 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 and debt service 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 25-29 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Proprietary Funds

Proprietary funds focus on the District's ongoing activities which are similar to those found in the private sector where net income is necessary or useful to sound financial management. Proprietary funds utilize the *accrual basis* of accounting under which revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District's proprietary funds are internal service funds which are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. Proprietary fund statements can be found on pages 30 and 31 of the basic financial statements. For reporting on the statement of net assets and the statement of activities, internal service fund activities are eliminated and consolidated with governmental activities.

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 32. 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 33-60 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, 2009 and June 30, 2008.

	Net Assets		
	Governmental Activities 2009	Governmental Activities 2008	Percent Change
<u>Assets</u>			
Current and other assets	\$ 15,353,433	\$ 14,704,578	4.41 %
Capital assets, net	<u>19,467,575</u>	<u>19,785,612</u>	(1.61) %
Total assets	<u>34,821,008</u>	<u>34,490,190</u>	0.96 %
<u>Liabilities</u>			
Current liabilities	7,579,450	6,470,580	17.14 %
Long-term liabilities	<u>16,991,291</u>	<u>16,712,390</u>	1.67 %
Total liabilities	<u>24,570,741</u>	<u>23,182,970</u>	5.99 %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,597,575	4,160,612	(13.53) %
Restricted	2,640,004	2,455,662	7.51 %
Unrestricted	<u>4,012,688</u>	<u>4,690,946</u>	(14.46) %
Total net assets	<u>\$ 10,250,267</u>	<u>\$ 11,307,220</u>	(9.35) %

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

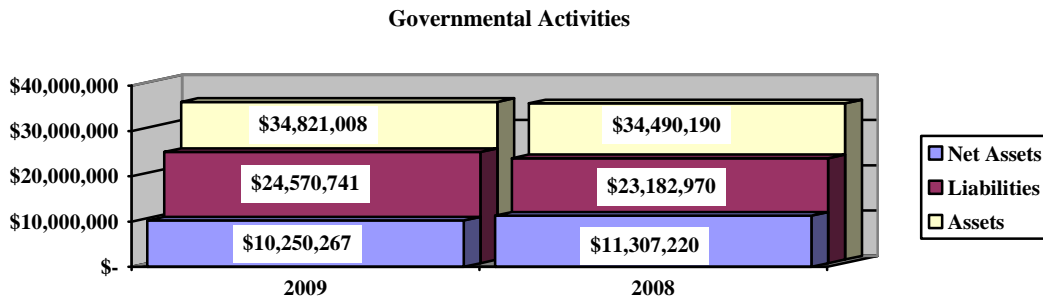
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$10,250,267. Of this total \$2,640,004 is restricted in use and \$3,597,575 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$4,012,688.

At year-end, capital assets represented 55.92% 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, 2009, were \$3,597,575. 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, \$2,640,004, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,012,688 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, 2009 and June 30, 2008:



The table below shows the change in net assets for fiscal years 2009 and 2008.

	Change in Net Assets		
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>	Percent <u>Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,044,963	\$ 930,100	12.35 %
Operating grants and contributions	1,247,628	1,262,086	(1.15) %
Capital grants and contributions	155,339	97,431	59.43 %
General revenues:			
Property taxes	5,500,134	7,017,015	(21.62) %
Grants and entitlements	7,695,009	7,525,555	2.25 %
Investment earnings	150,664	295,028	(48.93) %
Other	394,083	241,290	63.32 %
Total revenues	<u>16,187,820</u>	<u>17,368,505</u>	(6.80) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>	Percentage <u>Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 7,571,878	\$ 7,727,254	(2.01) %
Special	1,416,017	1,242,249	13.99 %
Vocational	102,875	104,101	(1.18) %
Other	89,080	75,094	18.62 %
Support services:			
Pupil	810,521	858,666	(5.61) %
Instructional staff	443,050	468,744	(5.48) %
Board of education	42,208	40,185	5.03 %
Administration	1,139,342	1,162,659	(2.01) %
Fiscal	414,440	408,441	1.47 %
Operations and maintenance	1,436,266	1,186,268	21.07 %
Pupil transportation	901,853	870,189	3.64 %
Central	465,653	238,823	94.98 %
Operations of non-instructional services:			
Food service operations	483,727	439,113	10.16 %
Latchkey operations	59,162	55,825	5.98 %
Other non-instructional services	80,774	127,319	(36.56) %
Extracurricular activities	368,793	375,208	(1.71) %
Interest and fiscal charges	<u>772,798</u>	<u>760,496</u>	1.62 %
Total expenses	<u>16,598,437</u>	<u>16,140,634</u>	2.84 %
Special item:			
Loss on sale of capital assets	<u>(646,336)</u>	<u>-</u>	100.00 %
Change in net assets	(1,056,953)	1,227,871	(186.08) %
Net assets at beginning of year	<u>11,307,220</u>	<u>10,079,349</u>	12.18 %
Net assets at end of year	<u><u>\$ 10,250,267</u></u>	<u><u>\$ 11,307,220</u></u>	(9.35) %

Governmental Activities

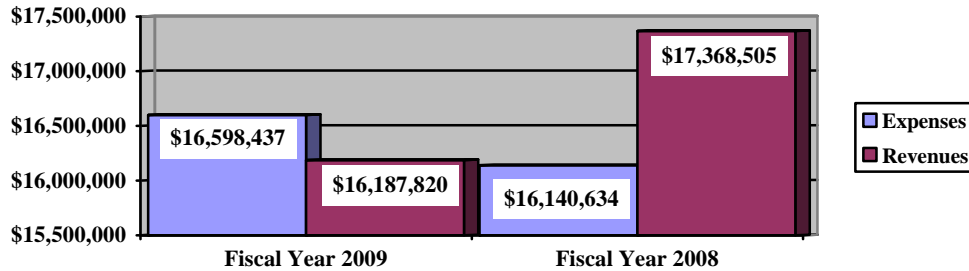
Net assets of the District's governmental activities decreased \$1,056,953. Total governmental expenses of \$16,598,437 were offset by program revenues of \$2,447,930 and general revenues of \$13,739,890. Program revenues supported 14.75% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 81.51% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,179,850 or 55.31% of total governmental expenses for fiscal year 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

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 2009 and 2008. 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>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 7,571,878	\$ 7,022,536	\$ 7,727,254	\$ 7,265,455
Special	1,416,017	783,087	1,242,249	605,817
Vocational	102,875	89,747	104,101	90,324
Other	89,080	89,080	75,094	62,759
Support services:				
Pupil	810,521	656,700	858,666	635,729
Instructional staff	443,050	377,470	468,744	380,772
Board of education	42,208	42,208	40,185	40,185
Administration	1,139,342	1,073,881	1,162,659	1,098,093
Fiscal	414,440	405,488	408,441	408,441
Operations and maintenance	1,436,266	1,428,028	1,186,268	1,166,207
Pupil transportation	901,853	829,742	870,189	811,758
Central	465,653	465,472	238,823	232,875
Operations of non-instructional services				
Food service operations	483,727	(36,064)	439,113	(30,454)
Latchkey operations	59,162	5,771	55,825	2,789
Other non-instructional services	80,774	(15,259)	127,319	33,786
Extracurricular activities	368,793	159,822	375,208	285,985
Interest and fiscal charges	<u>772,798</u>	<u>772,798</u>	<u>760,496</u>	<u>760,496</u>
Total Expenses	<u>\$ 16,598,437</u>	<u>\$ 14,150,507</u>	<u>\$ 16,140,634</u>	<u>\$ 13,851,017</u>

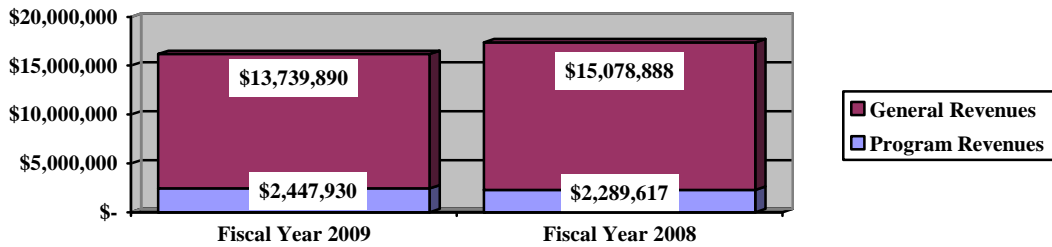
**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 86.98% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.25%. 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 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 25) reported a combined fund balance of \$7,210,823, which is higher than last year's total of \$6,820,292.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and June 30, 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ (Decrease)
General Fund	\$ 4,620,062	\$ 4,230,355	\$ 389,707
Debt Service Fund	1,193,326	1,402,119	(208,793)
Other Governmental Funds	<u>1,397,435</u>	<u>1,187,818</u>	<u>209,617</u>
Total	<u>\$ 7,210,823</u>	<u>\$ 6,820,292</u>	<u>\$ 390,531</u>

General Fund

The District's general fund balance increased \$389,707. 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, 2009
(UNAUDITED)

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,220,752	\$ 5,359,926	\$ (1,139,174)	(21.25) %
Tuition	419,581	355,958	63,623	17.87 %
Earnings on investments	150,481	285,627	(135,146)	(47.32) %
Intergovernmental	7,919,562	7,714,103	205,459	2.66 %
Other revenues	<u>521,914</u>	<u>307,878</u>	<u>214,036</u>	69.52 %
Total	<u>\$ 13,232,290</u>	<u>\$ 14,023,492</u>	<u>\$ (791,202)</u>	(5.64) %
<u>Expenditures</u>				
Instruction	\$ 8,222,261	\$ 7,763,085	\$ 459,176	5.91 %
Support services	5,200,260	4,686,122	514,138	10.97 %
Operation of non-instructional services	67,845	76,056	(8,211)	(10.80) %
Extracurricular activities	259,334	245,209	14,125	5.76 %
Facilities acquisition and construction	<u>62,100</u>	<u>-</u>	<u>62,100</u>	100.00 %
Total	<u>\$ 13,811,800</u>	<u>\$ 12,770,472</u>	<u>\$ 1,041,328</u>	8.15 %

Overall revenues of the general fund decreased \$791,202 or 5.64% during fiscal year 2009. The most significant decreases were in the areas of taxes and earnings on investments. Tax revenue decreased \$1,139,174 or 21.25% from the prior year. This decrease was primarily attributable to two reasons. First, there was a \$1,165,845 variance in the amount of tax advance that was available to the District from the county auditor at June 30, 2009 versus June 30, 2008. This variance resulted in less tax revenue being reported in fiscal year 2009. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Secondly, tangible personal property taxes are being phased out. Earnings on investments decreased \$135,146 or 47.32% primarily because of decreased interest rates during fiscal year 2009.

Intergovernmental revenue increased \$205,459 or 2.66% from the prior year. This increase is attributed to an increase in tangible personal property tax loss reimbursements from the State pursuant to Am. Sub. House Bill 66.

Overall expenditures of the general fund increased \$1,041,328 or 8.15% during fiscal year 2009. The most significant increases were in the areas of instruction and support services expenditures. These increases were primarily due to scheduled wage increases for employees of the District during fiscal year 2009.

Debt Service Fund

The debt service fund had \$1,181,210 in revenues and \$1,390,003 in expenditures. During fiscal year 2009, the debt service fund's fund balance decreased \$208,793 from \$1,402,119 to \$1,193,326.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2009, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$13,948,977, which was more than the original budgeted revenues and other financing sources estimate of \$13,733,960. Actual revenues and other financing sources for fiscal year 2009 were \$15,112,882. This represents a \$1,163,905 increase from final budgeted revenues. This increase is primarily due to tax revenues and intergovernmental revenues being higher than estimated.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

General fund final appropriations (appropriated expenditures plus other financing uses) were \$14,009,728, which is \$423,623 higher than the original budgeted appropriations and other financing uses of \$13,586,105. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$13,979,584, which was \$30,144 less than the final budget amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$19,467,575 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, 2009 balances compared to June 30, 2008:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 521,816	\$ 521,816
Construction in progress	1,364,921	-
Land improvements	1,632,370	1,682,140
Buildings and improvements	15,358,091	16,987,163
Furniture and equipment	305,854	335,266
Vehicles	<u>284,523</u>	<u>259,227</u>
Total	<u>\$ 19,467,575</u>	<u>\$ 19,785,612</u>

The overall decrease in capital assets of \$318,037 is due to the depreciation expense of \$771,066 and disposals net of accumulated depreciation of \$1,264,793 exceeding capital asset additions of \$1,717,822 during fiscal year 2009.

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

Debt Administration

At June 30, 2009, the District had \$15,068,794 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also issued a lease-purchase agreement during fiscal year 2009 in the amount of \$890,000. Of the total debt obligations outstanding at June 30, 2009, \$734,000 is due within one year and \$15,224,794 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, 2009
(UNAUDITED)

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

Outstanding Debt, at Year End

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General obligation bonds	\$ 14,705,000	\$ 15,350,000
Capital appreciation bonds	275,000	275,000
Accreted interest	88,794	69,213
Lease-purchase agreement	<u>890,000</u>	<u>-</u>
Total	<u>\$ 15,958,794</u>	<u>\$ 15,694,213</u>

See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The short-term three year financial outlook for the District is positive. During the current fiscal year, revenues exceeded expenditures; however, revenues are projected to fall just below the breakeven point in fiscal year 2011. The long term financial outlook (fiscal year 2012-2014) 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.

The District obtains approximately 60% of its general fund revenue from the State of Ohio, 32% from local property taxes and 8% 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.

With the passage of HB 1, ushering in the 2010-2011 biennium, the State's funding formula has been completely overhauled. Most notably, the District will receive 1% less funding in fiscal year 2010 and 2% less State funding in fiscal year 2011. The District currently remains on the State transitional aide guarantee, but only at 98% of prior year funding. This could result, depending on other funding factors, in a slight but consistent reduction in State funding. When fully implemented, the new funding formula created with this biennial budget will almost certainly have an effect on the District's long term financial strategy. As the District moves through this biennium, the governor communicated that the State will undergo a serious budgetary shortfall. For now, the District has been assured that the State funding deficit will not impact state foundation funding.

Locally, the District receives approximately 32% 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, and 80% of the District's local revenue being driven by residential/agricultural values, the District will most likely see a 6% decline in property values. Since the expiration of an 8-mill levy in 2002, the District dropped to the 20-mill floor. Because of this the District will not see a significant decline in property tax revenue as a result of the imminent 2009 valuation decline. In addition to real property, the District receives tax revenue from personal property. Personal tangible property is scheduled to drop from the tax duplicate in 2010. The revenue will be replaced by the State through calendar year 2013. In calendar years 2014 through 2017, the personal tangible revenue state reimbursement will be phased out. These declines will necessitate the District to seek additional operating revenue from its voters in the coming years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

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. 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 District continue to monitor its forecast and stay true to the District operating budget. 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: Phillip D. Butto IV, Treasurer/CFO, Keystone Local School District, 301 Liberty Street, P.O. Box 65, LaGrange, Ohio 44050, or e-mail at keystn_pb@leeca.org.

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 8,422,889
Cash with fiscal agent	5,000
Receivables:	
Taxes	6,862,947
Accounts	24,528
Intergovernmental	16,343
Accrued interest	3,483
Prepayments	10,784
Materials and supplies inventory	7,459
Capital assets:	
Land and construction in progress	1,886,737
Depreciable capital assets, net	17,580,838
Capital assets, net	<u>19,467,575</u>
 Total assets	 <u>34,821,008</u>
Liabilities:	
Accounts payable	78,866
Contracts payable	22,293
Accrued wages and benefits	1,041,574
Pension obligation payable	304,073
Intergovernmental payable	34,575
Accrued interest payable	59,050
Matured bond and interest payable	5,000
Unearned revenue	6,034,019
Long-term liabilities:	
Due within one year	931,153
Due in more than one year	16,060,138
 Total liabilities	 <u>24,570,741</u>
Net Assets:	
Invested in capital assets, net of related debt	3,597,575
Restricted for:	
Capital projects	1,033,151
Debt service	1,216,201
Locally funded programs	6,992
State funded programs	113,470
Federally funded programs	58,839
Student activities	6,802
Public school support	37,943
Other purposes	166,606
Unrestricted	<u>4,012,688</u>
 Total net assets	 <u>\$ 10,250,267</u>

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, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 7,571,878	\$ 494,562	\$ 38,437	\$ 16,343	\$ (7,022,536)
Special	1,416,017	-	632,930	-	(783,087)
Vocational	102,875	-	13,128	-	(89,747)
Other	89,080	-	-	-	(89,080)
Support services:					
Pupil	810,521	30,376	123,445	-	(656,700)
Instructional staff	443,050	777	64,803	-	(377,470)
Board of education	42,208	-	-	-	(42,208)
Administration	1,139,342	-	65,461	-	(1,073,881)
Fiscal	414,440	-	8,952	-	(405,488)
Operations and maintenance	1,436,266	8,238	-	-	(1,428,028)
Pupil transportation	901,853	-	60,045	12,066	(829,742)
Central	465,653	104	77	-	(465,472)
Operation of non-instructional services:					
Food service operations	483,727	381,544	138,247	-	36,064
Latchkey operations	59,162	53,391	-	-	(5,771)
Other non-instructional services	80,774	-	96,033	-	15,259
Extracurricular activities	368,793	75,971	6,070	126,930	(159,822)
Interest and fiscal charges	772,798	-	-	-	(772,798)
Total governmental activities	<u>\$ 16,598,437</u>	<u>\$ 1,044,963</u>	<u>\$ 1,247,628</u>	<u>\$ 155,339</u>	<u>(14,150,507)</u>
General Revenues:					
Property taxes levied for:					
General purposes					4,295,550
Debt service					1,021,138
Capital outlay					183,446
Grants and entitlements not restricted to specific programs					7,695,009
Investment earnings					150,664
Miscellaneous					394,083
Total general revenues					<u>13,739,890</u>
Special item:					
Loss on sale of capital assets					(646,336)
Change in net assets					(1,056,953)
Net assets at beginning of year					<u>11,307,220</u>
Net assets at end of year					<u>\$ 10,250,267</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 5,823,236	\$ 1,119,239	\$ 1,480,414	\$ 8,422,889
Cash with fiscal agent	-	5,000	-	5,000
Receivables:				
Taxes	5,338,940	1,291,196	232,811	6,862,947
Accounts	24,419	-	109	24,528
Intergovernmental	-	-	16,343	16,343
Accrued interest	3,483	-	-	3,483
Interfund loans	16,343	-	-	16,343
Prepayments	10,784	-	-	10,784
Materials and supplies inventory	-	-	7,459	7,459
Total assets	<u>\$ 11,217,205</u>	<u>\$ 2,415,435</u>	<u>\$ 1,737,136</u>	<u>\$ 15,369,776</u>
Liabilities:				
Accounts payable	\$ 69,228	\$ -	\$ 9,638	\$ 78,866
Contracts payable	-	-	22,293	22,293
Accrued wages and benefits	1,007,799	-	33,775	1,041,574
Compensated absences payable	70,673	-	-	70,673
Retirement incentive payable	89,173	-	-	89,173
Pension obligation payable	283,817	-	20,256	304,073
Intergovernmental payable	33,433	-	1,142	34,575
Interfund loans payable	-	-	16,343	16,343
Matured bond and interest payable	-	5,000	-	5,000
Deferred revenue	347,377	81,925	33,062	462,364
Unearned revenue	4,695,643	1,135,184	203,192	6,034,019
Total liabilities	<u>6,597,143</u>	<u>1,222,109</u>	<u>339,701</u>	<u>8,158,953</u>
Fund Balances:				
Reserved for encumbrances	200,763	-	179,963	380,726
Reserved for materials and supplies inventory	-	-	7,459	7,459
Reserved for property tax unavailable for appropriation	297,168	74,087	12,900	384,155
Reserved for prepayments	10,784	-	-	10,784
Reserved for debt service	-	1,119,239	-	1,119,239
Unreserved, undesignated reported in:				
General fund	4,111,347	-	-	4,111,347
Special revenue funds	-	-	335,012	335,012
Capital projects funds	-	-	862,101	862,101
Total fund balances	<u>4,620,062</u>	<u>1,193,326</u>	<u>1,397,435</u>	<u>7,210,823</u>
Total liabilities and fund balances	<u>\$ 11,217,205</u>	<u>\$ 2,415,435</u>	<u>\$ 1,737,136</u>	<u>\$ 15,369,776</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, 2009

Total governmental fund balances		\$	7,210,823
<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.			19,467,575
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	444,948	
Accrued interest receivable		1,073	
Intergovernmental receivable		16,343	
Total			462,364
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		(15,068,794)	
Compensated absences payable		(872,651)	
Lease-purchase agreement payable		(890,000)	
Accrued interest payable		(59,050)	
Total			(16,890,495)
Net assets of governmental activities		\$	10,250,267

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, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,220,752	\$ 1,003,721	\$ 179,497	\$ 5,403,970
Tuition and fees	419,581	-	-	419,581
Charges for services	-	-	366,484	366,484
Earnings on investments	150,481	-	1,452	151,933
Extracurricular	-	-	77,507	77,507
Classroom materials and fees	67,827	-	7,154	74,981
Rental income	6,613	-	-	6,613
Contributions and donations	-	-	38,395	38,395
Other local revenues	447,474	-	163,336	610,810
Intergovernmental - intermediate	-	-	7,420	7,420
Intergovernmental - state	7,919,562	177,489	147,767	8,244,818
Intergovernmental - federal	-	-	694,053	694,053
Total revenue	<u>13,232,290</u>	<u>1,181,210</u>	<u>1,683,065</u>	<u>16,096,565</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,896,750	-	38,586	6,935,336
Special	1,134,454	-	281,694	1,416,148
Vocational	102,032	-	-	102,032
Other	89,025	-	-	89,025
Support Services:				
Pupil	648,549	-	157,288	805,837
Instructional staff	382,585	-	57,115	439,700
Board of education	42,208	-	-	42,208
Administration	1,072,836	-	61,826	1,134,662
Fiscal	380,642	26,728	6,031	413,401
Operations and maintenance	1,277,334	-	30,498	1,307,832
Pupil transportation	933,416	-	275	933,691
Central	462,690	-	197	462,887
Operation of non-instructional services:				
Food service operations	-	-	480,562	480,562
Latchkey operations	59,162	-	-	59,162
Other non-instructional services	8,683	-	72,091	80,774
Extracurricular activities	259,334	-	104,373	363,707
Facilities acquisition and construction	62,100	-	1,659,417	1,721,517
Debt service:				
Principal retirement	-	645,000	-	645,000
Interest and fiscal charges	-	718,275	36,555	754,830
Total expenditures	<u>13,811,800</u>	<u>1,390,003</u>	<u>2,986,508</u>	<u>18,188,311</u>
Excess of expenditures over revenues	<u>(579,510)</u>	<u>(208,793)</u>	<u>(1,303,443)</u>	<u>(2,091,746)</u>
Other financing sources (uses):				
Lease-purchase agreement	-	-	890,000	890,000
Sale of assets	10,030	-	-	10,030
Transfers in	988,124	-	28,937	1,017,061
Transfers (out)	(28,937)	-	-	(28,937)
Total other financing sources (uses)	<u>969,217</u>	<u>-</u>	<u>918,937</u>	<u>1,888,154</u>
Special item:				
Sale of capital assets	-	-	594,123	594,123
Net change in fund balances	389,707	(208,793)	209,617	390,531
Fund balance at beginning of year	<u>4,230,355</u>	<u>1,402,119</u>	<u>1,187,818</u>	<u>6,820,292</u>
Fund balances at end of year	<u>\$ 4,620,062</u>	<u>\$ 1,193,326</u>	<u>\$ 1,397,435</u>	<u>\$ 7,210,823</u>

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, 2009

Net change in fund balances - total governmental funds	\$	390,531
<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 exceed depreciation expense in the current period.		
Capital asset additions	\$ 1,717,822	
Current year depreciation	(771,066)	
Total		946,756
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(1,264,793)
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:		
Decrease in accrued interest payable	1,613	
Accreted interest on "capital appreciation" bonds	(19,581)	
Total		(17,968)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	96,164	
Earnings on investments	183	
Intergovernmental revenue	(5,092)	
Total		91,255
Repayment of bonds are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		645,000
The internal service fund used by management to charge the costs of insurances to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(988,124)
Lease-purchase transactions are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(890,000)
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.		
		30,390
Change in net assets of governmental activities	\$	(1,056,953)

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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,945,199	\$ 5,023,274	\$ 5,128,860	\$ 105,586
Tuition	404,556	410,943	419,581	8,638
Earnings on investments	142,304	144,551	147,589	3,038
Classroom materials and fees	65,949	66,990	68,398	1,408
Rental income	6,376	6,477	6,613	136
Other local revenues	353,827	359,413	366,968	7,555
Intergovernmental - state	7,635,968	7,756,525	7,919,562	163,037
Total revenue	<u>13,554,179</u>	<u>13,768,173</u>	<u>14,057,571</u>	<u>289,398</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,779,305	6,990,688	6,841,522	149,166
Special	1,038,481	1,070,861	1,213,115	(142,254)
Vocational	101,857	105,033	102,177	2,856
Other	82,361	84,929	84,289	640
Support services:				
Pupil	624,482	645,798	647,208	(1,410)
Instructional staff	385,481	397,501	384,147	13,354
Board of education	36,939	38,091	35,701	2,390
Administration	1,044,306	1,076,868	1,091,129	(14,261)
Fiscal	378,069	389,857	382,599	7,258
Operations and maintenance	1,296,020	1,336,431	1,274,791	61,640
Pupil transportation	927,347	956,262	926,339	29,923
Central	430,010	443,418	544,757	(101,339)
Operation of non-instructional services:				
Latchkey operations	59,162	59,162	59,162	-
Other non-instructional services	31,032	32,000	31,417	583
Extracurricular activities	192,720	198,729	253,851	(55,122)
Facilities acquisition and construction	60,222	62,100	62,100	-
Total expenditures	<u>13,467,794</u>	<u>13,887,728</u>	<u>13,934,304</u>	<u>(46,576)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,385</u>	<u>(119,555)</u>	<u>123,267</u>	<u>242,822</u>
Other financing sources (uses):				
Refund of prior year expenditure	55,110	55,980	57,157	1,177
Transfers in	115,000	115,000	988,124	873,124
Transfers (out)	(101,825)	(105,000)	(28,937)	76,063
Advances (out)	(16,486)	(17,000)	(16,343)	657
Sale of capital assets	9,671	9,824	10,030	206
Total other financing sources (uses)	<u>61,470</u>	<u>58,804</u>	<u>1,010,031</u>	<u>951,227</u>
Net change in fund balance	147,855	(60,751)	1,133,298	1,194,049
Fund balance at beginning of year	4,292,970	4,292,970	4,292,970	-
Prior year encumbrances appropriated	153,245	153,245	153,245	-
Fund balance at end of year	<u>\$ 4,594,070</u>	<u>\$ 4,385,464</u>	<u>\$ 5,579,513</u>	<u>\$ 1,194,049</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities - Internal Service Fund</u>
Nonoperating expenses:	
Transfers out	\$ (988,124)
Total nonoperating expenses.	<u>(988,124)</u>
Change in net assets	(988,124)
Net assets at beginning of year.	<u>988,124</u>
Net assets at end of year	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Cash flows from noncapital financing activities:	
Transfers out	\$ (988,124)
Net cash used in noncapital financing activities.	<u>(988,124)</u>
Net decrease in cash and cash equivalents	(988,124)
Cash and cash equivalents at beginning of year . . .	<u>988,124</u>
Cash and cash equivalents at end of year.	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

		Agency
Assets:		
Equity in pooled cash and investments	\$	33,209
Receivables:		
Accounts		73
		73
Total assets.	\$	33,282
Liabilities:		
Due to students	\$	33,282
		33,282
Total liabilities	\$	33,282

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, 2009**

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 301st largest in the State of Ohio (among the 922 public school districts and community schools in the State) in terms of enrollment. It is staffed by 103 non-certified and 108 certified personnel to provide services to approximately 1,803 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental and to its proprietary funds provided they do 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, 2009

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 district's elected board, 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 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 2009, the District paid \$1,181 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 2009, the District paid \$1,404,692 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 nine 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 2009, the District paid \$221,316 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, 2009

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

INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. 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.

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 all financial resources except those required to be accounted for 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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for food service operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund accounts for activity of a former self-insurance program for employee insurance benefits. Effective July 1, 2008, the District was no longer self-insured and did not continue using the internal service fund in such a capacity.

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.

C. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for services for employee insurance premiums. Operating expenses for internal service funds include claims payments and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Proprietary and 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, 2009

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, 2009, but which were levied to finance fiscal year 2010 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, 2009 are recorded as deferred revenue. 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. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. The legal level of budgetary control is at the fund level for all funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 express 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 Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, 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 any level of 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, excluding the internal service fund, 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, 2009

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

During fiscal year 2009, investments were limited to federal agency securities, repurchase agreements, banker's acceptance, negotiable certificates of deposit, non-negotiable certificates of deposit, commercial paper 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 and non-negotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2009. 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, 2009.

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 2009 amounted to \$150,481 which includes \$56,133 assigned from other District funds.

For purposes of the statement of cash flows and 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 a fund balance reserve 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 are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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>	Governmental Activities <u>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 governmental column of the statement of net assets.

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, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. 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, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the proprietary fund 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, claims and judgments, compensated absences and future retirement 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. Long-term notes and lease obligations are recognized as a liability in the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies, prepayments, debt service and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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 the food service fund, the special trusts fund and the uniform school supplies fund (all nonmajor governmental funds). The District had no net assets restricted by enabling legislation at June 30, 2009.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 as assets on the balance sheet 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 reserved by 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. 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. During fiscal year 2009, the District sold two buildings. These transactions are considered a special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 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, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balance

Fund balances at June 30, 2009 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
ODNR Scrap Tire Grant	\$ 16,343

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals normally occur. The deficit fund balance in the ODNR Scrap Tire Grant resulted from the reporting of a short-term interfund loan as a fund liability rather than as an other financing source.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agent

At June 30, 2009, 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, 2009, 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, 2009, the carrying amount of all District deposits was \$598,255, exclusive of the \$5,110,000 repurchase agreement mentioned below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$524,306 of the District’s bank balance of \$774,980 was exposed to custodial risk as discussed below, while \$250,674 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.

D. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>
FHLB	\$ 224,350	\$ -	\$ 224,350	\$ -	\$ -
FNMA	100,357	-	-	100,357	-
FHLMC	649,432	-	199,240	-	450,192
Commercial paper	171,436	171,436	-	-	-
Negotiable CD's	797,346	196,749	600,597	-	-
Repurchase agreement	5,110,000	5,110,000	-	-	-
U.S. Government money market funds	55,667	55,667	-	-	-
STAR Ohio	749,155	749,155	-	-	-
Total	\$ 7,857,743	\$ 6,283,007	\$ 1,024,187	\$ 100,357	\$ 450,192

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 0.22 years.

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

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. The District's investment in commercial paper was rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market 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.

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.

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 224,350	2.86
FNMA	100,357	1.28
FHLMC	649,432	8.26
Commercial paper	171,436	2.18
Negotiable CD's	797,346	10.15
Repurchase agreement	5,110,000	65.03
U.S. Government money market funds	55,667	0.71
STAR Ohio	<u>749,155</u>	<u>9.53</u>
Total	<u>\$ 7,857,743</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 598,255
Investments	7,857,743
Cash on hand	100
Cash with fiscal agent	<u>5,000</u>
 Total	 <u>\$ 8,461,098</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,427,889
Agency fund	<u>33,209</u>
 Total	 <u>\$ 8,461,098</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

Transfer from general fund to:	<u>Amount</u>
Nonmajor governmental fund	\$ 28,937
Transfer to general fund from:	
Internal service fund	<u>988,124</u>
 Total	 <u>\$ 1,017,061</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. The \$988,124 transfer from the internal service fund to the general fund was a residual equity transfer, as the District is no longer self-insured.

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.

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	<u>\$ 16,343</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The interfund loan was necessitated to cover costs in the fund where revenues were not received by June 30. This interfund loan will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets.

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 tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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 calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$297,168 in the general fund, \$74,087 in the bond retirement debt service fund and \$12,900 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$1,205,276 in the general fund, \$293,707 in the bond retirement debt service fund and \$51,017 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 261,007,180	95.50	\$ 265,642,394	95.32
Public utility personal	10,066,060	3.68	10,150,420	3.64
Tangible personal property	<u>2,233,899</u>	<u>0.82</u>	<u>2,909,940</u>	<u>1.04</u>
Total	<u>\$ 273,307,139</u>	<u>100.00</u>	<u>\$ 278,702,754</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$49.75		\$49.60

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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	\$ 6,862,947
Accounts	24,528
Intergovernmental	16,343
Accrued interest	<u>3,483</u>
Total receivables	<u>\$ 6,907,301</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2009, was as follows:

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 521,816	\$ -	\$ -	\$ 521,816
Construction in progress	<u>-</u>	<u>1,364,921</u>	<u>-</u>	<u>1,364,921</u>
Total capital assets, not being depreciated	<u>521,816</u>	<u>1,364,921</u>	<u>-</u>	<u>1,886,737</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,185,915	62,638	(108,136)	2,140,417
Buildings and improvements	22,393,527	187,796	(2,570,107)	20,011,216
Furniture and equipment	528,576	15,177	(23,164)	520,589
Vehicles	<u>1,069,063</u>	<u>87,290</u>	<u>(26,411)</u>	<u>1,129,942</u>
Total capital assets, being depreciated	<u>26,177,081</u>	<u>352,901</u>	<u>(2,727,818)</u>	<u>23,802,164</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(503,775)	(95,795)	91,523	(508,047)
Buildings and improvements	(5,406,364)	(576,409)	1,329,648	(4,653,125)
Furniture and equipment	(193,310)	(36,868)	15,443	(214,735)
Vehicles	<u>(809,836)</u>	<u>(61,994)</u>	<u>26,411</u>	<u>(845,419)</u>
Total accumulated depreciation	<u>(6,913,285)</u>	<u>(771,066)</u>	<u>1,463,025</u>	<u>(6,221,326)</u>
Governmental activities capital assets, net	<u>\$ 19,785,612</u>	<u>\$ 946,756</u>	<u>\$ (1,264,793)</u>	<u>\$ 19,467,575</u>

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 679,527
Support services:	
Instructional staff	3,350
Operations and maintenance	12,795
Pupil transportation	62,366
Central	2,397
Extracurricular activities	5,086
Food service operations	<u>5,545</u>
Total depreciation expense	<u>\$ 771,066</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LEASE-PURCHASE AGREEMENT

During fiscal year 2009, 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 FASB Statement No. 13, "Accounting for Leases", 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. This amount is included in the District's construction in progress at June 30, 2009. Lease-purchase payments have been reflected as debt service expenditures in the permanent improvement fund. There were no principal payments in fiscal year 2009.

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, 2009.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2010	\$ 81,198
2011	81,269
2012	81,255
2013	81,155
2014	80,970
2015-2019	401,871
2020-2024	<u>396,406</u>
Total minimum lease payments	1,204,124
Less: amount representing interest	<u>(314,124)</u>
Present value of minimum lease payments	<u>\$ 890,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Retired</u>	<u>June 30, 2009</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
School improvement bonds	\$ 15,350,000	\$ -	\$ (645,000)	\$ 14,705,000	\$ 690,000
Capital appreciation bonds	275,000	-	-	275,000	-
Accretion on capital appreciation bonds	69,213	19,581	-	88,794	-
Lease-purchase agreement	-	890,000	-	890,000	44,000
PARS retirement incentive	200,000	-	(50,000)	150,000	50,000
Retirement incentive	-	39,173	-	39,173	39,173
Compensated absences	<u>818,177</u>	<u>131,430</u>	<u>(106,283)</u>	<u>843,324</u>	<u>107,980</u>
Total governmental activities long-term liabilities	<u>\$ 16,712,390</u>	<u>\$ 1,080,184</u>	<u>\$ (801,283)</u>	<u>\$ 16,991,291</u>	<u>\$ 931,153</u>

The bonds payable will be repaid from the debt service fund. The compensated absences will be repaid from the general fund.

During 2007, the Board of Education adopted the PARS 403(b) Supplementary Retirement Plan (the "Plan") for those employees that meet the plan's eligibility requirements, as stated in the Plan. Each person who meets these eligibility requirements will receive \$50,000. Beginning July of the year of retirement, payment will be made in five equal installments into the eligible participant's 403(b) annuity contract held at Pacific Life Insurance Company. In fiscal year 2008, this retirement incentive was presented as a component of compensated absences payable. For presentation purposes, the PARS retirement incentive is shown separately within the long-term obligation schedule in fiscal year 2009. At June 30, 2009, the District's liability for the retirement incentive plan was \$150,000. The current portion of this liability is recorded as retirement incentive payable in the general fund, with the remainder recorded as a long-term liability.

During fiscal year 2009, the District offered a retirement incentive for those employees who served fifteen years with the District and retired in their first year of eligibility. The payment was calculated using the hourly wage difference between the retiring employee and an employee hired in at the same position with no experience. The retiring employee is to receive one lump-sum payment equal to 2,080 hours of this difference. At June 30, 2009, the District's liability for the retirement incentive plan was \$39,173. The entire balance is recorded as retirement incentive payable in the general fund.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - 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	School Improvement			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 690,000	\$ 697,388	\$ 1,387,388	\$ -	\$ -	\$ -
2011	805,000	670,074	1,475,074	-	-	-
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 - 2019	1,405,000	3,091,900	4,496,900	140,000	110,000	250,000
2020 - 2024	3,190,000	2,509,500	5,699,500	-	-	-
2025 - 2029	5,365,000	1,459,125	6,824,125	-	-	-
2030 - 2031	2,935,000	149,375	3,084,375	-	-	-
Total	\$ 14,705,000	\$ 10,516,400	\$ 25,221,400	\$ 275,000	\$ 205,000	\$ 480,000

The original issue date, interest rate, original issue amount and date of maturity of the District's bonds payable follows:

<u>General obligation bonds:</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
School improvement	2004	December 1, 2030	4.84%	\$ 17,225,000
Capital appreciation	2004	December 1, 2013	5.65%	135,000
Capital appreciation	2004	December 1, 2014	5.57%	140,000

C. Legal Debt Margin

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, 2009, are a voted debt margin of \$11,024,882 (including available funds of \$1,193,326) and an unvoted debt margin of \$275,684.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - 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 2009, 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.

The District changed insurance carriers for general and professional liability. The aggregate limit for these insurances decreased by approximately 33% from fiscal year 2008.

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Employee Health and Dental

The District purchased health and dental 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 between 90% to 95% of the monthly insurance premium for single coverage and 85% to 90% 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.

LERC has changed from a partially self-insured program to a fully insured consortium. All outstanding claims were deemed part of the pool and not charged to individual Districts. Therefore, the District does not have an outstanding claims liability at June 30, 2009.

C. Workers' Compensation Group Rating Plan

For fiscal year 2009, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by 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 *Forms and Publications*.

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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$171,283, \$162,570 and \$175,214, respectively; 49.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2009, 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, 2009, 2008 and 2007 were \$797,113, \$779,379 and \$768,000, respectively; 83.57 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$2,079 made by the District and \$8,721 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, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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, 2009, 2008, and 2007 were \$104,237, \$99,186 and \$85,771, respectively; 49.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$14,132, \$11,714 and \$11,915, respectively; 49.38 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 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 2009, 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, 2009, 2008, and 2007 were \$61,316, \$59,952 and \$59,100, respectively; 83.57 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - 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, cash disbursements and encumbrances.

The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP) and actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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	\$ 1,133,298
Net adjustment for revenue accruals	(825,281)
Net adjustment for expenditure accruals	(108,251)
Net adjustment for other financing sources (uses) accruals	(40,814)
Adjustment for encumbrances	<u>230,755</u>
GAAP basis	<u>\$ 389,707</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - 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.

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2008	\$ (1,048,575)	\$ -
Current year set-aside requirement	269,270	269,270
Current year offsets	-	(862,614)
Qualifying disbursements	<u>(401,599)</u>	<u>-</u>
Total	<u>\$ (1,180,904)</u>	<u>\$ (593,344)</u>
Balance carried forward to fiscal year 2010	<u>\$ (1,180,904)</u>	<u>\$ -</u>

The District had qualifying expenditures during the year that reduced the textbooks/instructional materials set-aside amounts below zero. The extra amount for textbooks/instructional materials is being carried forward to reduce the set-aside requirements for future years. Although the District had qualifying offsets during the year that reduced the set-aside amount below zero for the capital improvement reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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.

District 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.

**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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over</u>
	<u>Original</u>	<u>Final</u>		
District Debt Service				
Total Revenues and Other Sources	\$ 1,407,532	\$ 1,407,532	\$ 1,400,830	\$ (6,702)
Total Expenditures and Other Uses	<u>1,430,300</u>	<u>1,430,300</u>	<u>1,390,003</u>	<u>40,297</u>
Net Change in Fund Balances	(22,768)	(22,768)	10,827	33,595
Fund Balance, July 1	<u>1,108,412</u>	<u>1,108,412</u>	<u>1,108,412</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 1,085,644</u></u>	<u><u>\$ 1,085,644</u></u>	<u><u>\$ 1,119,239</u></u>	<u><u>\$ 33,595</u></u>

**KEYSTONE LOCAL SCHOOLS
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 legally restricted 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.

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.

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.

Underground Storage Tank Fund

A fund provided to account for underground storage tank money.

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.

SchoolNet Professional Development Fund

A fund provided to account for State funds received to provide professional development programs related to technology

**KEYSTONE LOCAL SCHOOLS
COMBINING STATEMENTS - NONMAJOR FUNDS**

Nonmajor Special Revenue Funds (Continued)

Miscellaneous State Grants Fund

A fund provided to account for environmental education to support children and adults in protecting the environment and conserving its natural resources funded by the State of Ohio, Environmental Protection Agency.

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.

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.

Title VI Fund

A fund which accounts for federal funds which consolidates various programs into a single authorization used in accordance with the educational needs and priorities of the District.

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 VI-R Fund

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

Miscellaneous Federal Grants Fund

To account for federal grants not classified elsewhere.

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

Nonmajor Capital Projects Fund

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.

CAP

A fund provided to assist schools with capital projects.

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	<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	\$ 454,589	\$ 1,025,825	\$ 1,480,414
Receivables:			
Taxes	-	232,811	232,811
Accounts.	109	-	109
Intergovernmental	-	16,343	16,343
Materials and supplies inventory	7,459	-	7,459
Total assets.	<u>\$ 462,157</u>	<u>\$ 1,274,979</u>	<u>\$ 1,737,136</u>
Liabilities:			
Accounts payable.	\$ 9,638	\$ -	\$ 9,638
Contracts payable.	-	22,293	22,293
Accrued wages and benefits	33,775	-	33,775
Pension obligation payable.	20,256	-	20,256
Intergovernmental payable	1,142	-	1,142
Interfund loans payable	-	16,343	16,343
Deferred revenue.	-	33,062	33,062
Unearned revenue	-	203,192	203,192
Total liabilities.	<u>64,811</u>	<u>274,890</u>	<u>339,701</u>
Fund balances:			
Reserved for encumbrances.	54,875	125,088	179,963
Reserved for materials and supplies inventory . . .	7,459	-	7,459
Reserved for property tax unavailable for appropriation.	-	12,900	12,900
Unreserved, undesignated reported in:			
Special revenue funds	335,012	-	335,012
Capital projects funds	-	862,101	862,101
Total fund balances	<u>397,346</u>	<u>1,000,089</u>	<u>1,397,435</u>
Total liabilities and fund balances.	<u>\$ 462,157</u>	<u>\$ 1,274,979</u>	<u>\$ 1,737,136</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, 2009

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ -	\$ 179,497	\$ 179,497
Charges for services	366,484	-	366,484
Earnings on investments	1,452	-	1,452
Extracurricular	77,507	-	77,507
Classroom materials and fees	7,154	-	7,154
Contributions and donations	28,395	10,000	38,395
Other local revenues	46,406	116,930	163,336
Intergovernmental - intermediate	7,420	-	7,420
Intergovernmental - state	119,293	28,474	147,767
Intergovernmental - federal	694,053	-	694,053
Total revenues	1,348,164	334,901	1,683,065
Expenditures:			
Current:			
Instruction:			
Regular	38,586	-	38,586
Special	281,694	-	281,694
Support services:			
Pupil	157,288	-	157,288
Instructional staff	57,115	-	57,115
Administration	61,826	-	61,826
Fiscal	1,919	4,112	6,031
Operations and maintenance	1,786	28,712	30,498
Pupil transportation	275	-	275
Central	197	-	197
Operation of non-instructional services:			
Food service operations	480,562	-	480,562
Other non-instructional services	72,091	-	72,091
Extracurricular activities	104,373	-	104,373
Facilities acquisition and construction	-	1,659,417	1,659,417
Debt service:			
Interest and fiscal charges	-	36,555	36,555
Total expenditures	1,257,712	1,728,796	2,986,508
Excess (deficiency) of revenues over (under) expenditures	90,452	(1,393,895)	(1,303,443)
Other financing sources:			
Lease-purchase agreement	-	890,000	890,000
Transfers in	28,937	-	28,937
Total other financing sources	28,937	890,000	918,937
Special item:			
Sale of capital assets	-	594,123	594,123
Net change in fund balances	119,389	90,228	209,617
Fund balances, July 1	277,957	909,861	1,187,818
Fund balances, June 30	\$ 397,346	\$ 1,000,089	\$ 1,397,435

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	<u>Food Services</u>	<u>School Trusts</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>	<u>Other Local Grants</u>
Assets:					
Equity in pooled cash and investments	\$ 185,398	\$ 3,937	\$ 8,965	\$ 37,943	\$ 11,161
Receivables:					
Accounts	-	-	109	-	-
Materials and supplies inventory	7,459	-	-	-	-
Total assets.	<u>\$ 192,857</u>	<u>\$ 3,937</u>	<u>\$ 9,074</u>	<u>\$ 37,943</u>	<u>\$ 11,161</u>
Liabilities:					
Accounts payable.	\$ -	\$ -	\$ -	\$ -	\$ 4,169
Accrued wages and benefits	15,661	-	-	-	-
Pension obligation payable.	17,340	-	-	-	-
Intergovernmental payable	654	-	-	-	-
Total liabilities.	<u>33,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,169</u>
Fund Balances:					
Reserved for encumbrances	800	-	-	133	-
Reserved for materials and supplies inventory	7,459	-	-	-	-
Unreserved, undesignated.	150,943	3,937	9,074	37,810	6,992
Total fund balances.	<u>159,202</u>	<u>3,937</u>	<u>9,074</u>	<u>37,943</u>	<u>6,992</u>
Total liabilities and fund balances.	<u>\$ 192,857</u>	<u>\$ 3,937</u>	<u>\$ 9,074</u>	<u>\$ 37,943</u>	<u>\$ 11,161</u>

<u>Underground Storage Tank</u>	<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>
\$ 1,000	\$ 6,802	\$ 70,503	\$ 33,946	\$ 9,300
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,000</u>	<u>\$ 6,802</u>	<u>\$ 70,503</u>	<u>\$ 33,946</u>	<u>\$ 9,300</u>
\$ -	\$ -	\$ 4,908	\$ -	\$ -
-	-	-	-	-
-	-	632	-	-
-	-	14	-	-
-	-	5,554	-	-
-	602	51,550	-	-
-	-	-	-	-
<u>1,000</u>	<u>6,200</u>	<u>13,399</u>	<u>33,946</u>	<u>9,300</u>
<u>1,000</u>	<u>6,802</u>	<u>64,949</u>	<u>33,946</u>	<u>9,300</u>
<u>\$ 1,000</u>	<u>\$ 6,802</u>	<u>\$ 70,503</u>	<u>\$ 33,946</u>	<u>\$ 9,300</u>

- - (Continued)

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2009

	SchoolNet Professional Development	Miscellaneous State Grants	Title VI - B	Title I
Assets:				
Equity in pooled cash and investments	\$ 481	\$ 4,794	\$ 11,331	\$ 38,040
Receivables:				
Accounts.	-	-	-	-
Materials and supplies inventory	-	-	-	-
Total assets.	<u>\$ 481</u>	<u>\$ 4,794</u>	<u>\$ 11,331</u>	<u>\$ 38,040</u>
Liabilities:				
Accounts payable.	\$ -	\$ -	\$ 368	\$ 193
Accrued wages and benefits	-	-	-	18,114
Pension obligation payable.	-	-	-	2,284
Intergovernmental payable	-	-	-	471
Total liabilities.	<u>-</u>	<u>-</u>	<u>368</u>	<u>21,062</u>
Fund Balances:				
Reserved for encumbrances	-	-	-	540
Reserved for materials and supplies inventory	-	-	-	-
Unreserved, undesignated.	<u>481</u>	<u>4,794</u>	<u>10,963</u>	<u>16,438</u>
Total fund balances.	<u>481</u>	<u>4,794</u>	<u>10,963</u>	<u>16,978</u>
Total liabilities and fund balances.	<u>\$ 481</u>	<u>\$ 4,794</u>	<u>\$ 11,331</u>	<u>\$ 38,040</u>

<u>Title VI-R</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 28,625	\$ 2,363	\$ 454,589
-	-	109
-	-	7,459
<u>\$ 28,625</u>	<u>\$ 2,363</u>	<u>\$ 462,157</u>
\$ -	\$ -	\$ 9,638
-	-	33,775
-	-	20,256
-	3	1,142
<u>-</u>	<u>3</u>	<u>64,811</u>
1,250	-	54,875
-	-	7,459
<u>27,375</u>	<u>2,360</u>	<u>335,012</u>
<u>28,625</u>	<u>2,360</u>	<u>397,346</u>
<u>\$ 28,625</u>	<u>\$ 2,363</u>	<u>\$ 462,157</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, 2009

	<u>Food Services</u>	<u>School Trusts</u>	<u>Uniform School Supplies</u>	<u>Public School Support</u>	<u>Other Local Grants</u>
Revenues:					
From local sources:					
Charges for services	\$ 366,484	\$ -	\$ -	\$ -	\$ -
Earnings on investments	1,005	-	-	-	-
Extracurricular	-	-	-	6,259	-
Classroom materials and fees.	-	-	7,154	-	-
Contributions and donations	-	1,000	-	-	21,325
Other local revenues	15,060	-	-	26,623	-
Intergovernmental - intermediate	-	-	-	-	7,420
Intergovernmental - state	2,758	-	-	-	-
Intergovernmental - federal	134,484	-	-	-	-
Total revenues	<u>519,791</u>	<u>1,000</u>	<u>7,154</u>	<u>32,882</u>	<u>28,745</u>
Expenditures:					
Current:					
Instruction:					
Regular	-	1,000	3,216	-	17,503
Special	-	-	-	-	-
Support services:					
Pupil	-	-	-	33,385	5,338
Instructional staff.	-	-	-	854	3,488
Administration	-	-	-	-	-
Fiscal.	-	-	-	-	-
Operations and maintenance	-	-	-	1,786	-
Pupil transportation	-	-	-	-	275
Central	-	-	-	114	-
Operation of non-instructional services:					
Food service operations	480,562	-	-	-	-
Other non-instructional services.	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Total expenditures	<u>480,562</u>	<u>1,000</u>	<u>3,216</u>	<u>36,139</u>	<u>26,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,229</u>	<u>-</u>	<u>3,938</u>	<u>(3,257)</u>	<u>2,141</u>
Other financing sources:					
Transfers in.	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balances.	39,229	-	3,938	(3,257)	2,141
Fund balances, July 1.	<u>119,973</u>	<u>3,937</u>	<u>5,136</u>	<u>41,200</u>	<u>4,851</u>
Fund balances, June 30	<u>\$ 159,202</u>	<u>\$ 3,937</u>	<u>\$ 9,074</u>	<u>\$ 37,943</u>	<u>\$ 6,992</u>

<u>Underground Storage Tank</u>	<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	447	-	-
-	71,248	-	-	-
-	-	-	-	-
-	6,070	-	-	-
-	4,723	-	-	-
-	-	-	-	-
-	-	95,586	14,000	-
-	-	-	-	-
-	82,041	96,033	14,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,082	-
-	-	-	1,919	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	72,091	-	-
-	104,373	-	-	-
-	104,373	72,091	3,001	-
-	(22,332)	23,942	10,999	-
-	28,937	-	-	-
-	28,937	-	-	-
-	6,605	23,942	10,999	-
1,000	197	41,007	22,947	9,300
<u>\$ 1,000</u>	<u>\$ 6,802</u>	<u>\$ 64,949</u>	<u>\$ 33,946</u>	<u>\$ 9,300</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, 2009

	SchoolNet Professional Development	Miscellaneous State Grants	Title VI - B	Title I	Title VI
Revenues:					
From local sources:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	-
Extracurricular	-	-	-	-	-
Classroom materials and fees.	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Other local revenues	-	-	-	-	-
Intergovernmental - intermediate	-	-	-	-	-
Intergovernmental - state	2,430	4,519	-	-	-
Intergovernmental - federal	-	-	335,530	135,219	17,900
Total revenues	<u>2,430</u>	<u>4,519</u>	<u>335,530</u>	<u>135,219</u>	<u>17,900</u>
Expenditures:					
Current:					
Instruction:					
Regular.	-	-	-	-	9,010
Special	-	8,905	161,622	111,167	-
Support services:					
Pupil	-	-	115,005	-	-
Instructional staff.	2,430	-	-	11,947	8,890
Administration	-	-	60,744	-	-
Fiscal.	-	-	-	-	-
Operations and maintenance	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Central	-	-	-	-	-
Operation of non-instructional services:					
Food service operations	-	-	-	-	-
Other non-instructional services.	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Total expenditures.	<u>2,430</u>	<u>8,905</u>	<u>337,371</u>	<u>123,114</u>	<u>17,900</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,386)	(1,841)	12,105	-
Other financing sources:					
Transfers in.	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balances.	-	(4,386)	(1,841)	12,105	-
Fund balances, July 1.	<u>481</u>	<u>9,180</u>	<u>12,804</u>	<u>4,873</u>	<u>-</u>
Fund balances, June 30	<u>\$ 481</u>	<u>\$ 4,794</u>	<u>\$ 10,963</u>	<u>\$ 16,978</u>	<u>\$ -</u>

Drug Free School Grant	Title VI-R	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 366,484
-	-	-	1,452
-	-	-	77,507
-	-	-	7,154
-	-	-	28,395
-	-	-	46,406
-	-	-	7,420
-	-	-	119,293
4,629	54,732	11,559	694,053
<u>4,629</u>	<u>54,732</u>	<u>11,559</u>	<u>1,348,164</u>
1,081	-	6,776	38,586
-	-	-	281,694
3,560	-	-	157,288
270	26,813	2,423	57,115
-	-	-	61,826
-	-	-	1,919
-	-	-	1,786
-	-	-	275
83	-	-	197
-	-	-	480,562
-	-	-	72,091
-	-	-	104,373
<u>4,994</u>	<u>26,813</u>	<u>9,199</u>	<u>1,257,712</u>
<u>(365)</u>	<u>27,919</u>	<u>2,360</u>	<u>90,452</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>28,937</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>28,937</u>
(365)	27,919	2,360	119,389
365	706	-	277,957
<u>\$ -</u>	<u>\$ 28,625</u>	<u>\$ 2,360</u>	<u>\$ 397,346</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Food Services				
Total Revenues and Other Sources	\$ 529,616	\$ 529,616	\$ 507,786	\$ (21,830)
Total Expenditures and Other Uses	<u>335,199</u>	<u>479,513</u>	<u>473,317</u>	<u>6,196</u>
Net Change in Fund Balances	194,417	50,103	34,469	(15,634)
Fund Balance, July 1	<u>150,129</u>	<u>150,129</u>	<u>150,129</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 344,546</u>	<u>\$ 200,232</u>	<u>\$ 184,598</u>	<u>\$ (15,634)</u>
School Trusts				
Total Revenues and Other Sources	\$ 4,025	\$ 4,025	\$ 1,000	\$ (3,025)
Total Expenditures and Other Uses	<u>1,912</u>	<u>1,912</u>	<u>1,000</u>	<u>912</u>
Net Change in Fund Balances	2,113	2,113	-	(2,113)
Fund Balance, July 1	<u>3,937</u>	<u>3,937</u>	<u>3,937</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 6,050</u>	<u>\$ 6,050</u>	<u>\$ 3,937</u>	<u>\$ (2,113)</u>
Uniform School Supplies				
Total Revenues and Other Sources	\$ 30,110	\$ 30,110	\$ 7,191	\$ (22,919)
Total Expenditures and Other Uses	<u>7,000</u>	<u>7,000</u>	<u>3,216</u>	<u>3,784</u>
Net Change in Fund Balances	23,110	23,110	3,975	(19,135)
Fund Balance, July 1	<u>4,990</u>	<u>4,990</u>	<u>4,990</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 28,100</u>	<u>\$ 28,100</u>	<u>\$ 8,965</u>	<u>\$ (19,135)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Public School Support				
Total Revenues and Other Sources	\$ 24,900	\$ 24,900	\$ 32,883	\$ 7,983
Total Expenditures and Other Uses	<u>34,440</u>	<u>37,440</u>	<u>36,426</u>	<u>1,014</u>
Net Change in Fund Balances	(9,540)	(12,540)	(3,543)	8,997
Fund Balance, July 1	41,213	41,213	41,213	-
Prior Year Encumbrances Appropriated	<u>140</u>	<u>140</u>	<u>140</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 31,813</u>	<u>\$ 28,813</u>	<u>\$ 37,810</u>	<u>\$ 8,997</u>
Other Local Grants				
Total Revenues and Other Sources	\$ 6,600	\$ 6,600	\$ 28,745	\$ 22,145
Total Expenditures and Other Uses	<u>6,087</u>	<u>30,535</u>	<u>26,776</u>	<u>3,759</u>
Net Change in Fund Balances	513	(23,935)	1,969	25,904
Fund Balance, July 1	4,126	4,126	4,126	-
Prior Year Encumbrances Appropriated	<u>910</u>	<u>910</u>	<u>910</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 5,549</u>	<u>\$ (18,899)</u>	<u>\$ 7,005</u>	<u>\$ 25,904</u>
Underground Storage Tank				
Fund Balance, July 1	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>
Fund Balance, June 30	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget- Over (Under)
	Original	Final		
Student Activity				
Total Revenues and Other Sources	\$ 101,150	\$ 101,150	\$ 110,978	\$ 9,828
Total Expenditures and Other Uses	\$ 99,041	\$ 109,041	\$ 104,975	\$ 4,066
Net Change in Fund Balances	2,109	(7,891)	6,003	13,894
Fund Balance, July 1	-	-	-	-
Prior Year Encumbrances Appropriated	197	197	197	-
Fund Balance (Deficit), June 30	<u>\$ 2,306</u>	<u>\$ (7,694)</u>	<u>\$ 6,200</u>	<u>\$ 13,894</u>
Auxiliary Services				
Total Revenues and Other Sources	\$ 93,000	\$ 93,000	\$ 96,033	\$ 3,033
Total Expenditures and Other Uses	45,523	137,155	123,204	13,951
Net Change in Fund Balances	47,477	(44,155)	(27,171)	16,984
Fund Balance, July 1	20,007	20,007	20,007	-
Prior Year Encumbrances Appropriated	21,209	21,209	21,209	-
Fund Balance (Deficit), June 30	<u>\$ 88,693</u>	<u>\$ (2,939)</u>	<u>\$ 14,045</u>	<u>\$ 16,984</u>
EMIS				
Total Revenues and Other Sources	\$ 5,500	\$ 5,500	\$ 14,000	\$ 8,500
Total Expenditures and Other Uses	15,000	15,000	3,001	11,999
Net Change in Fund Balances	(9,500)	(9,500)	10,999	20,499
Fund Balance, July 1	22,947	22,947	22,947	-
Fund Balance, June 30	<u>\$ 13,447</u>	<u>\$ 13,447</u>	<u>\$ 33,946</u>	<u>\$ 20,499</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Data Communication				
Fund Balance, July 1	\$ 9,300	\$ 9,300	\$ 9,300	\$ -
Fund Balance, June 30	<u>\$ 9,300</u>	<u>\$ 9,300</u>	<u>\$ 9,300</u>	<u>\$ -</u>
SchoolNet Professional Development				
Total Revenues and Other Sources	\$ 2,400	\$ 2,400	\$ 2,430	\$ 30
Total Expenditures and Other Uses	<u>-</u>	<u>2,430</u>	<u>2,430</u>	<u>-</u>
Net Change in Fund Balances	2,400	(30)	-	30
Fund Balance, July 1	<u>481</u>	<u>481</u>	<u>481</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2,881</u>	<u>\$ 451</u>	<u>\$ 481</u>	<u>\$ 30</u>
Miscellaneous State Grants				
Total Revenues and Other Sources	\$ 4,500	\$ 4,500	\$ 4,519	\$ 19
Total Expenditures and Other Uses	<u>-</u>	<u>9,233</u>	<u>8,905</u>	<u>328</u>
Net Change in Fund Balances	4,500	(4,733)	(4,386)	347
Fund Balance, July 1	<u>9,180</u>	<u>9,180</u>	<u>9,180</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 13,680</u>	<u>\$ 4,447</u>	<u>\$ 4,794</u>	<u>\$ 347</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Title VI-B				
Total Revenues and Other Sources	\$ 205,175	\$ 205,175	\$ 335,530	\$ 130,355
Total Expenditures and Other Uses	<u>340,988</u>	<u>348,988</u>	<u>337,257</u>	<u>11,731</u>
Net Change in Fund Balances	(135,813)	(143,813)	(1,727)	142,086
Fund Balance, July 1	9,904	9,904	9,904	-
Prior Year Encumbrances Appropriated	<u>3,154</u>	<u>3,154</u>	<u>3,154</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (122,755)</u>	<u>\$ (130,755)</u>	<u>\$ 11,331</u>	<u>\$ 142,086</u>
Title I				
Total Revenues and Other Sources	\$ 160,230	\$ 160,230	\$ 158,754	\$ (1,476)
Total Expenditures and Other Uses	<u>166,141</u>	<u>185,936</u>	<u>123,138</u>	<u>62,798</u>
Net Change in Fund Balances	(5,911)	(25,706)	35,616	61,322
Fund Balance, July 1	1,484	1,484	1,484	-
Prior Year Encumbrances Appropriated	<u>400</u>	<u>400</u>	<u>400</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (4,027)</u>	<u>\$ (23,822)</u>	<u>\$ 37,500</u>	<u>\$ 61,322</u>
Title VI				
Total Revenues and Other Sources	\$ 1,810	\$ 1,810	\$ 17,900	\$ 16,090
Total Expenditures and Other Uses	<u>9,249</u>	<u>17,900</u>	<u>17,900</u>	<u>-</u>
Net Change in Fund Balances	(7,439)	(16,090)	-	16,090
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (7,439)</u>	<u>\$ (16,090)</u>	<u>\$ -</u>	<u>\$ 16,090</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Drug Free School Grant				
Total Revenues and Other Sources	\$ 4,616	\$ 4,616	\$ 4,629	\$ 13
Total Expenditures and Other Uses	<u>4,616</u>	<u>5,008</u>	<u>4,994</u>	<u>14</u>
Net Change in Fund Balances	-	(392)	(365)	27
Fund Balance, July 1	<u>365</u>	<u>365</u>	<u>365</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 365</u>	<u>\$ (27)</u>	<u>\$ -</u>	<u>\$ 27</u>
Title VI - R				
Total Revenues and Other Sources	\$ 54,700	\$ 54,700	\$ 54,732	\$ 32
Total Expenditures and Other Uses	<u>37,277</u>	<u>35,282</u>	<u>28,063</u>	<u>7,219</u>
Net Change in Fund Balances	17,423	19,418	26,669	7,251
Fund Balance, July 1	226	226	226	-
Prior Year Encumbrances Appropriated	<u>480</u>	<u>480</u>	<u>480</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 18,129</u>	<u>\$ 20,124</u>	<u>\$ 27,375</u>	<u>\$ 7,251</u>
Miscellaneous Federal Grants				
Total Revenues and Other Sources	\$ 1,504	\$ 1,504	\$ 11,559	\$ 10,055
Total Expenditures and Other Uses	<u>11,504</u>	<u>11,559</u>	<u>9,196</u>	<u>2,363</u>
Net Change in Fund Balances	(10,000)	(10,055)	2,363	12,418
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (10,000)</u>	<u>\$ (10,055)</u>	<u>\$ 2,363</u>	<u>\$ 12,418</u>

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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009

	<u>Permanent Improvement</u>	<u>Other Capital Projects</u>	<u>CAP</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 1,000,046	\$ 25,779	\$ -	\$ 1,025,825
Receivables:				
Taxes.	232,811	-	-	232,811
Intergovernmental	-	-	16,343	16,343
Total assets.	<u>\$ 1,232,857</u>	<u>\$ 25,779</u>	<u>\$ 16,343</u>	<u>\$ 1,274,979</u>
Liabilities:				
Contracts payable.	\$ -	\$ 22,293	\$ -	\$ 22,293
Interfund loans payable	-	-	16,343	16,343
Deferred revenue.	16,719	-	16,343	33,062
Unearned revenue	203,192	-	-	203,192
Total liabilities.	<u>219,911</u>	<u>22,293</u>	<u>32,686</u>	<u>274,890</u>
Fund Balances:				
Reserved for encumbrances	125,088	-	-	125,088
Reserved for property tax unavailable for appropriation.	12,900	-	-	12,900
Unreserved, undesignated (deficit)	874,958	3,486	(16,343)	862,101
Total fund balances (deficit).	<u>1,012,946</u>	<u>3,486</u>	<u>(16,343)</u>	<u>1,000,089</u>
Total liabilities and fund balances.	<u>\$ 1,232,857</u>	<u>\$ 25,779</u>	<u>\$ 16,343</u>	<u>\$ 1,274,979</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES / (DEFICITS)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Permanent Improvement</u>	<u>Other Capital Projects</u>	<u>CAP</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 179,497	\$ -	\$ -	\$ 179,497
Contributions and donations	-	10,000	-	10,000
Other local revenues	-	116,930	-	116,930
Intergovernmental - state	28,474	-	-	28,474
Total revenues	<u>207,971</u>	<u>126,930</u>	<u>-</u>	<u>334,901</u>
Expenditures:				
Current:				
Support services:				
Fiscal	4,112	-	-	4,112
Operations and maintenance	28,712	-	-	28,712
Facilities acquisition and construction	294,496	1,283,206	81,715	1,659,417
Debt service:				
Interest and fiscal charges	24,055	12,500	-	36,555
Total expenditures	<u>351,375</u>	<u>1,295,706</u>	<u>81,715</u>	<u>1,728,796</u>
Excess of expenditures over revenues	<u>(143,404)</u>	<u>(1,168,776)</u>	<u>(81,715)</u>	<u>(1,393,895)</u>
Other financing sources:				
Lease-purchase agreement	-	890,000	-	890,000
Total other financing sources	<u>-</u>	<u>890,000</u>	<u>-</u>	<u>890,000</u>
Special item:				
Sale of capital assets	594,123	-	-	594,123
Net change in fund balances	450,719	(278,776)	(81,715)	90,228
Fund balances, July 1	<u>562,227</u>	<u>282,262</u>	<u>65,372</u>	<u>909,861</u>
Fund balances (deficit), June 30	<u>\$ 1,012,946</u>	<u>\$ 3,486</u>	<u>\$ (16,343)</u>	<u>\$ 1,000,089</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Permanent Improvement				
Total Revenues and Other Sources	\$ 254,244	\$ 2,117,562	\$ 840,211	\$ (1,277,351)
Total Expenditures and Other Uses	<u>193,769</u>	<u>583,157</u>	<u>483,463</u>	<u>99,694</u>
Net Change in Fund Balances	60,475	1,534,405	356,748	(1,177,657)
Fund Balance, July 1	434,441	434,441	434,441	-
Prior Year Encumbrances Appropriated	<u>83,769</u>	<u>83,769</u>	<u>83,769</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 578,685</u>	<u>\$ 2,052,615</u>	<u>\$ 874,958</u>	<u>\$ (1,177,657)</u>
Other Capital Projects				
Total Revenues and Other Sources	\$ -	\$ -	\$ 1,203,216	\$ 1,203,216
Total Expenditures and Other Uses	<u>601,317</u>	<u>1,482,048</u>	<u>1,481,992</u>	<u>56</u>
Net Change in Fund Balances	(601,317)	(1,482,048)	(278,776)	1,203,272
Fund Balance, July 1	279,147	279,147	279,147	-
Prior Year Encumbrances Appropriated	<u>3,115</u>	<u>3,115</u>	<u>3,115</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (319,055)</u>	<u>\$ (1,199,786)</u>	<u>\$ 3,486</u>	<u>\$ 1,203,272</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
CAP				
Total Revenues and Other Sources	\$ 15,000	\$ 15,000	\$ 16,343	\$ 1,343
Total Expenditures and Other Uses	-	81,715	81,715	-
Net Change in Fund Balances	15,000	(66,715)	(65,372)	1,343
Fund Balance, July 1	65,372	65,372	65,372	-
Fund Balance (Deficit), June 30	<u>\$ 80,372</u>	<u>\$ (1,343)</u>	<u>\$ -</u>	<u>\$ 1,343</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
COMBINING STATEMENTS - INTERNAL SERVICE FUND**

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments on a cost-reimbursement basis. The internal service fund is:

Employee Benefits Self-Insurance Fund

A fund provided to account for a self-insurance program which provides medical and dental benefits to employees.

KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
 FUND EQUITY - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Employee Benefits Self-Insurance				
Total Expenses and Other Uses	\$ 988,124	\$ 988,124	\$ 988,124	\$ -
Net Change in Fund Equity	(988,124)	(988,124)	(988,124)	-
Fund Equity, July 1	988,124	988,124	988,124	-
Fund Equity, June 30	<u>\$ -</u>	<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 FUNDS
JUNE 30, 2009

	Beginning Balance July 1, 2008	Additions	Deletions	Ending Balance June 30, 2009
Student Activity				
Assets:				
Equity in pooled cash and investments	\$ 25,581	\$ 46,715	\$ 39,087	\$ 33,209
Receivables:				
Accounts	158	73	158	73
Total assets	\$ 25,739	\$ 46,788	\$ 39,245	\$ 33,282
Liabilities:				
Due to students	\$ 25,739	\$ 46,788	\$ 39,245	\$ 33,282
Total liabilities.	\$ 25,739	\$ 46,788	\$ 39,245	\$ 33,282

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STATISTICAL SECTION

**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.	91-104
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	105-110
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.	111-114
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.	115-116
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.	117-123

Sources: This is the District's first comprehensive annual financial report. 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.

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 3,597,575	\$ 4,160,612	\$ 3,949,750
Restricted	2,640,004	2,455,662	2,225,265
Unrestricted	4,012,688	4,690,946	3,398,899
Total governmental activities net assets	<u>\$ 10,250,267</u>	<u>\$ 11,307,220</u>	<u>\$ 9,573,914</u>

Source: School District financial records.

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

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses			
Governmental activities:			
Instruction:			
Regular	\$ 7,571,878	\$ 7,727,254	\$ 6,588,597
Special	1,416,017	1,242,249	1,233,663
Vocational	102,875	104,101	97,379
Other	89,080	75,094	67,102
Support services:			
Pupil	810,521	858,666	771,574
Instructional staff	443,050	468,744	478,054
Board of education	42,208	40,185	33,019
Administration	1,139,342	1,162,659	1,009,418
Fiscal	414,440	408,441	362,847
Operations and maintenance	1,436,266	1,186,268	1,333,631
Pupil transportation	901,853	870,189	851,300
Central	465,653	238,823	219,552
Operation of non-instructional services:			
Food service operations	483,727	439,113	425,493
Latchkey operations	59,162	55,825	45,876
Other non-instructional services	80,774	127,319	83,740
Extracurricular activities	368,793	375,208	328,720
Interest and fiscal charges	772,798	760,496	793,879
Total governmental activities expenses	<u>16,598,437</u>	<u>16,140,634</u>	<u>14,723,844</u>

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	6,704,413	\$ 6,672,376	\$ 6,660,466	\$ 6,309,447
	1,161,680	1,149,365	984,184	931,240
	180,125	191,049	187,970	171,846
	111,245	-	-	-
	868,064	1,003,630	1,035,370	957,635
	348,743	500,452	404,004	336,881
	35,244	38,728	27,473	32,385
	1,175,011	1,210,985	1,194,766	1,138,460
	392,992	353,995	357,675	311,966
	1,122,995	1,117,247	1,100,974	1,023,388
	986,260	813,566	809,574	877,702
	120,958	160,288	158,698	135,321
	463,918	442,368	436,982	422,276
	51,215	46,376	41,780	37,131
	63,469	72,164	-	-
	324,673	379,314	364,404	311,879
	759,783	608,716	-	5,175
	<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 SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Program Revenues	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities:			
Charges for services:			
Instruction:			
Regular	\$ 494,562	\$ 367,690	\$ 513,216
Vocational	-	-	-
Other	-	12,335	-
Support services:			
Pupil	30,376	41,347	-
Instructional staff	777	-	-
Operations and maintenance	8,238	11,061	-
Central	104	-	-
Operation of non-instructional services:			
Food service operations	381,544	355,508	345,163
Latchkey operations	53,391	53,036	56,826
Extracurricular activities	75,971	89,123	82,298
Operating grants and contributions:			
Instruction:			
Regular	38,437	3,237	11,000
Special	632,930	636,432	167,819
Vocational	13,128	13,777	-
Support services:			
Pupil	123,445	181,590	210,367
Instructional staff	64,803	87,972	162,313
Administration	65,461	64,566	20,000
Fiscal	8,952	-	6,010
Operations and maintenance	-	9,000	-
Pupil transportation	60,045	51,872	50,000
Central	77	5,948	5,513
Operation of non-instructional services:			
Food service operations	138,247	114,059	113,106
Other non-instructional services	96,033	93,533	93,653
Extracurricular activities	6,070	100	-
Capital grants and contributions:			
Instruction:			
Regular	16,343	90,872	13,694
Support services:			
Operations and maintenance	-	-	3,000
Pupil transportation	12,066	6,559	-
Extracurricular activities	126,930	-	-
Total governmental program revenues	<u>2,447,930</u>	<u>2,289,617</u>	<u>1,853,978</u>
Net (Expense)/Revenue			
Governmental activities	<u>\$ (14,150,507)</u>	<u>\$ (13,851,017)</u>	<u>\$ (12,869,866)</u>

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

- (Continued)

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

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

General Revenues and Other Changes in Net Assets

	2009	2008	2007
Governmental activities:			
Property taxes levied for:			
General purposes	\$ 4,295,550	\$ 5,459,903	\$ 4,954,642
Debt service	1,021,138	1,323,539	1,200,168
Capital outlay	183,446	233,573	217,326
Grants and entitlements not restricted to specific programs	7,695,009	7,525,555	7,726,248
Investment earnings	150,664	295,028	414,223
Miscellaneous	394,083	241,290	35,647
Total governmental activities	13,739,890	15,078,888	14,548,254
Special Item:			
Loss on sale of capital assets	(646,336)	-	-
Total special item	(646,336)	-	-
Change in Net Assets			
Governmental activities	\$ (1,056,953)	\$ 1,227,871	\$ 1,678,388

Source: School District financial records.

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	4,833,720	\$ 5,141,885	\$ 4,306,050	\$ 4,144,328
	1,279,435	1,241,464	730,494	-
	229,046	246,558	214,036	210,352
	7,529,775	7,479,210	7,162,776	6,184,796
	350,042	72,983	69,031	133,858
	280,123	119,551	68,816	91,764
	<u>14,502,141</u>	<u>14,301,651</u>	<u>12,551,203</u>	<u>10,765,098</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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund:				
Reserved	\$ 508,715	\$ 1,346,813	\$ 1,198,693	\$ 1,320,915
Unreserved	<u>4,111,347</u>	<u>2,883,542</u>	<u>1,790,329</u>	<u>1,048,734</u>
Total general fund	<u>\$ 4,620,062</u>	<u>\$ 4,230,355</u>	<u>\$ 2,989,022</u>	<u>\$ 2,369,649</u>
All Other Governmental Funds:				
Reserved	\$ 1,393,648	\$ 1,565,481	\$ 1,582,474	\$ 3,697,998
Unreserved (deficit), reported in:				
Special revenue funds	335,012	245,496	116,567	124,501
Capital projects funds	<u>862,101</u>	<u>778,960</u>	<u>644,198</u>	<u>(303,100)</u>
Total all other governmental funds	<u>2,590,761</u>	<u>2,589,937</u>	<u>2,343,239</u>	<u>3,519,399</u>
Total governmental funds	<u>\$ 7,210,823</u>	<u>\$ 6,820,292</u>	<u>\$ 5,332,261</u>	<u>\$ 5,889,048</u>

Source: School District financial records.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 1,094,117	\$ 634,171	\$ 599,210	\$ 931,330	\$ 1,378,579	\$ 1,737,527
<u>1,321,796</u>	<u>1,564,355</u>	<u>2,328,085</u>	<u>3,070,912</u>	<u>2,100,200</u>	<u>1,538,774</u>
<u>\$ 2,415,913</u>	<u>\$ 2,198,526</u>	<u>\$ 2,927,295</u>	<u>\$ 4,002,242</u>	<u>\$ 3,478,779</u>	<u>\$ 3,276,301</u>
\$ 11,058,261	\$ 20,072,877	\$ 348,471	\$ 414,701	\$ 804,062	\$ 753,987
98,407	89,764	108,385	88,352	115,073	109,723
<u>1,078,722</u>	<u>(1,684,643)</u>	<u>691,275</u>	<u>767,402</u>	<u>390,082</u>	<u>260,039</u>
<u>12,235,390</u>	<u>18,477,998</u>	<u>1,148,131</u>	<u>1,270,455</u>	<u>1,309,217</u>	<u>1,123,749</u>
<u>\$ 14,651,303</u>	<u>\$ 20,676,524</u>	<u>\$ 4,075,426</u>	<u>\$ 5,272,697</u>	<u>\$ 4,787,996</u>	<u>\$ 4,400,050</u>

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues				
From local sources:				
Taxes	\$ 5,403,970	\$ 6,883,813	\$ 6,295,184	\$ 6,339,828
Tuition and fees	419,581	355,958	377,456	330,371
Charges for services	366,484	355,508	334,798	309,497
Earnings on investments	151,933	298,446	344,099	324,107
Extracurricular	77,507	77,007	87,732	97,513
Classroom materials and fees	74,981	77,103	-	-
Rental income	6,613	11,061	-	-
Contributions and donations	38,395	32,543	-	-
Other local revenues	610,810	292,410	233,164	165,753
Intergovernmental	-	-	8,582,723	8,424,561
Intergovernmental - intermediate	7,420	7,049	-	-
Intergovernmental - state	8,244,818	8,093,186	-	-
Intergovernmental - federal	694,053	728,894	-	-
Total revenues	<u>16,096,565</u>	<u>17,212,978</u>	<u>16,255,156</u>	<u>15,991,630</u>
Expenditures				
Current:				
Instruction:				
Regular	6,935,336	6,733,121	6,784,944	6,782,001
Special	1,416,148	1,181,419	1,262,793	1,168,387
Vocational	102,032	97,689	99,547	180,861
Other	89,025	71,238	70,893	113,592
Current:				
Pupil	805,837	824,645	804,530	932,756
Instructional staff	439,700	450,490	501,623	360,100
Board of education	42,208	39,158	33,019	35,244
Administration	1,134,662	1,121,363	996,544	1,208,170
Fiscal	413,401	391,455	380,471	413,774
Operations and maintenance	1,307,832	1,167,067	1,370,859	1,144,122
Pupil transportation	933,691	838,352	842,977	957,829
Central	462,887	242,335	217,950	124,855
Operation of non-instructional services:				
Food service operations	480,562	451,830	428,268	471,346
Latchkey operations	59,162	53,322	45,876	52,443
Other non-instructional services	80,774	118,962	83,740	63,469
Extracurricular activities	363,707	354,924	318,879	326,982
Facilities acquisition and construction	1,721,517	244,543	-	-
Capital outlay	-	-	1,309,580	9,182,968
Debt service:				
Principal retirement	645,000	605,000	510,000	475,000
Interest and fiscal charges	754,830	738,034	749,450	760,575
Total expenditures	<u>18,188,311</u>	<u>15,724,947</u>	<u>16,811,943</u>	<u>24,754,474</u>
Excess (deficiency) of revenues over (under) expenditures	(2,091,746)	1,488,031	(556,787)	(8,762,844)

	2005	2004	2003	2002	2001	2000
\$	6,621,876	\$ 5,238,181	\$ 4,369,648	\$ 4,482,878	\$ 4,541,040	\$ 4,820,101
	109,599	98,444	99,545	45,024	46,723	55,009
	316,175	316,439	308,437	-	-	-
	434,021	237,101	114,945	147,889	334,145	268,927
	105,249	105,512	120,231	109,597	109,659	91,611
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	150,652	101,322	159,613	77,421	78,243	75,196
	8,398,680	7,761,099	7,090,395	6,755,862	6,550,640	5,665,180
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>16,136,252</u>	<u>13,858,098</u>	<u>12,262,814</u>	<u>11,618,671</u>	<u>11,660,450</u>	<u>10,976,024</u>
	6,679,794	6,507,446	6,277,489	5,392,005	5,413,437	4,865,989
	1,127,148	983,149	928,148	819,509	858,161	797,478
	189,986	184,712	169,711	144,435	136,647	118,759
	-	-	-	-	-	-
	995,821	1,031,548	931,179	833,927	698,374	665,503
	418,128	401,779	330,787	273,048	203,511	206,732
	38,728	27,473	32,385	29,100	31,113	16,749
	1,221,624	1,202,925	1,113,249	960,445	1,060,106	970,322
	349,545	357,144	307,648	296,220	291,227	271,067
	1,104,670	1,043,890	1,069,185	930,323	912,316	960,814
	764,552	743,655	816,167	636,816	608,991	592,375
	160,113	157,177	134,445	122,695	66,522	62,078
	445,941	433,690	421,298	-	-	-
	46,496	43,000	-	-	-	-
	72,164	-	36,883	-	1,362	-
	375,711	361,914	310,056	263,567	279,958	252,246
	-	-	-	-	-	-
	7,018,313	1,136,276	120,011	292,196	560,917	51,477
	1,154,418	-	130,000	125,000	125,000	125,000
	-	148,750	5,175	15,188	24,862	34,538
	<u>22,163,152</u>	<u>14,764,528</u>	<u>13,133,816</u>	<u>11,134,474</u>	<u>11,272,504</u>	<u>9,991,127</u>
	(6,026,900)	(906,430)	(871,002)	484,197	387,946	984,897

- (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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Other Financing Sources (Uses)				
Lease-purchase agreement	\$ 890,000	\$ -	\$ -	\$ -
Sale of assets	10,030	-	-	589
Transfers in	1,017,061	11,687	-	2,507
Transfers (out)	(28,937)	(11,687)	-	(2,507)
Premium on sale of notes	-	-	-	-
Proceeds from sale of bonds	-	-	-	-
Pass-through	-	-	-	-
Total other financing sources (uses)	<u>1,888,154</u>	<u>-</u>	<u>-</u>	<u>589</u>
Special Item				
Sale of capital assets	<u>594,123</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total special item	<u>594,123</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 390,531</u>	<u>\$ 1,488,031</u>	<u>\$ (556,787)</u>	<u>\$ (8,762,255)</u>
Capital expenditures	\$ 1,717,822	\$ 370,430	\$ 1,972,910	\$ 9,156,879
Debt service as a percentage of noncapital expenditures	8.50%	8.75%	8.49%	7.92%

Source: School District financial records.

2005	2004	2003	2002	2001	2000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,679	-	814	504	-	-
17,685,741	30,000	38,500	208,721	213,650	-
(17,685,741)	(30,000)	(38,500)	(208,721)	(213,650)	(6,000)
-	8,628	-	-	-	-
-	17,500,000	-	-	-	-
-	(1,100)	-	-	-	(1,361)
<u>1,679</u>	<u>17,507,528</u>	<u>814</u>	<u>504</u>	<u>-</u>	<u>(7,361)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (6,025,221)</u>	<u>\$ 16,601,098</u>	<u>\$ (870,188)</u>	<u>\$ 484,701</u>	<u>\$ 387,946</u>	<u>\$ 977,536</u>
\$ 6,817,425	\$ 1,091,413	\$ 184,909	\$ 144,690	\$ 716,182	\$ 254,136
7.52%	1.09%	1.04%	1.28%	1.42%	1.64%

**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
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
2001	167,680,300	479,086,571	8,586,050	34,344,200	14,488,040	41,394,400
2000	143,057,340	408,735,257	7,760,690	31,042,760	16,221,590	46,347,400

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	%	
\$ 49.60	\$ 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%	
52.60	190,754,390	554,825,171	34.38%	
52.60	167,039,620	486,125,417	34.36%	

**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
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
2000/2001	10.79	3.78	9.03	5.53	7.78	7.28	6.40
1999/2000	10.79	3.78	9.03	5.53	7.78	7.28	3.40

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	\$ 5.00	\$ 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		
10.53	11.78	45.98	-	2.00	4.62	52.60		
10.53	8.78	45.98	-	2.00	4.62	52.60		

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

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2007 AND DECEMBER 31, 2002

December 31, 2007			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Durham Ridge Investments	\$ 4,153,340	1	1.52%
Columbia Gas Transmission	4,054,560	2	1.48%
Ohio Edison Co.	2,267,050	3	0.83%
Lorain Medina Rural	1,877,690	4	0.69%
Elyria Country Club	1,545,000	5	0.57%
Sentinel Square, LLC.	1,221,270	6	0.45%
Gordon Farms	1,113,090	7	0.41%
Twin Lake Homes	929,650	8	0.34%
Columbia Gas of Ohio	839,510	9	0.31%
Manufacturers Holding, Inc.	660,590	10	0.24%
Total	\$ 18,661,750		\$ 273,307,139

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 Co.	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	935,110	6	0.47%
Twin Lake Homes	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	\$ 13,839,330		\$ 200,275,700

Source: Lorain County Auditor's Office.

Note: Information on principal property tax payers as of December 31, 2008 and prior to December 31, 2002 was unavailable.

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST EIGHT FISCAL YEARS

Tax Year/ Collection Year	Current Levy	Current Collection	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection As a Percent of Total Levy
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.

Note: Property tax levies and collections for the tax years/collection years 1999/2000 and 2000/2001 were not available.

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

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			(a)	(b)	(b)
	General Obligation Bonds	Lease-Purchase Agreement	Bond Anticipation Notes	Total Primary Government	Per Capita	Per ADM
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
2001	255,000	-	-	255,000	3	135
2000	380,000	-	-	380,000	5	205

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) Per Capita
	(a) General Obligation Bonds	Total		
2009	\$ 15,068,794	\$ 15,068,794	1.88%	\$ 190
2008	15,694,213	15,694,213	2.00%	198
2007	16,275,491	16,275,491	2.08%	205
2006	16,740,000	16,740,000	2.41%	210
2005	17,215,000	17,215,000	2.53%	215
2004	17,500,000	17,500,000	2.70%	219
2003	-	-	0.00%	-
2002	130,000	130,000	0.02%	2
2001	255,000	255,000	0.05%	3
2000	380,000	380,000	0.08%	5

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, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 15,958,794	100.00%	\$ 15,958,794
Overlapping debt:			
Lorain County	32,759,405	3.93%	1,287,445
City of Elyria	36,865,125	0.16%	58,984
Village of Lagrange	3,000	100.00%	3,000
Township of Carlisle	<u>780,000</u>	34.28%	<u>267,384</u>
Total direct and overlapping debt	<u>\$ 86,366,324</u>		<u>\$ 17,575,607</u>

Source: Ohio Municipal Advisory Council.

**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	Voted Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2009	\$ 24,811,556	\$ 14,980,000	\$ 1,193,326	\$ 11,024,882	55.57%
2008	24,379,249	15,625,000	1,402,119	10,156,368	58.34%
2007	24,527,138	16,230,000	1,305,862	9,603,000	60.85%
2006	21,688,877	16,740,000	1,255,416	6,204,293	71.39%
2005	21,158,583	17,215,000	1,077,688	5,021,271	76.27%
2004	20,158,145	17,500,000	18,502,977	21,161,122	-4.98%
2003	18,024,813	-	224,965	18,249,778	-1.25%
2002	17,395,565	130,000	360,140	17,625,705	-1.32%
2001	17,167,895	255,000	500,328	17,413,223	-1.43%
2000	15,033,566	380,000	650,190	15,303,756	-1.80%

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.

**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>
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%
2001	80,170	27.19	2,179,822	1,887	5.4%	4.8%	5.8%
2000	80,195	26.86	2,154,038	1,855	5.0%	3.9%	4.0%

Sources:

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

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

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

December 31, 2008

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
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	23	9
Village of Lagrange	17	10
Total	<u>655</u>	

December 31, 1999

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Keystone Local School District	205	1
Inservco	120	2
Micron Manufacturing	97	3
Madar Machine	24	4
Varbros	19	5
Village of Lagrange	11	6
Total	<u>476</u>	

Source: Individual employers.

Note: Information was only available for six employers at December 31, 1999. Information related to total employment within the District was unavailable at both December 31, 2008 and December 31, 1999. 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 SIX FISCAL YEARS

Type	2009	2008	2007	2006	2005	2004
Office - administrative	12.02	11.99	12.05	15.25	15.59	13.58
Professional - educational	98.51	98.18	96.31	106.53	107.37	117.81
Professional - other	15.55	12.97	16.26	18.06	16.31	16.84
Technical	1.00	-	-	-	-	-
Office - clerical	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
Service worker/laborer	35.35	32.46	33.22	33.82	42.26	48.49
Total	176.79	169.84	171.98	189.72	198.07	213.59

Function	2009	2008	2007	2006	2005	2004
Instruction:						
Regular	79.31	83.10	81.31	90.95	91.81	92.81
Special	12.20	11.58	11.50	12.50	11.50	11.50
Vocational	1.00	1.00	1.00	2.00	2.13	2.00
Other	2.00	2.00	2.00	3.72	2.00	6.00
Support Services:						
Pupil	6.00	18.47	21.76	23.56	23.19	24.34
Instructional staff	19.55	4.00	4.00	4.72	4.62	4.57
Administration	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
Operations and maintenance	12.00	11.00	12.00	11.00	12.89	17.52
Pupil transportation	13.91	13.66	13.95	14.20	14.24	14.83
Central	1.00	0.17	0.17	0.17	3.00	2.00
Operation of Non-Instructional Services:						
Food service operations	8.69	8.17	7.83	7.89	11.72	11.36
Other non-instructional	3.60	2.45	2.32	3.67	6.00	7.36
Total Governmental Activities	176.79	169.84	171.98	189.72	198.07	213.59

Source: District records.

Note: Staffing statistics for fiscal years 2000-2003 were not available.

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

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

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Instruction:										
Regular and Special										
Enrollment (students)	1,750	1,780	1,836	1,874	1,912	1,905	1,900	1,880	1,922	1,900
Graduates	142	142	127	136	132	131	128	(a)	(b)	(b)
Support services:										
Board of education										
Regular meetings per year	23	22	22	24	22	19	24	24	17	11
Special meetings per year	2	2	-	3	1	5	2	2	18	6
Fiscal										
Nonpayroll checks issued	2,961	2,749	2,807	3,019	3,065	3,016	2,995	2,803	2,761	2,550
Operations and maintenance										
Square footage maintained	249,370	249,370	249,370	197,170	197,170	197,170	197,170	197,170	197,170	197,170
Pupil transportation										
Avg. students transported daily (c)	701	716	861	1,370	1,563	1,561	1,561	1,561	1,561	1,561
Food service operations										
Meals served to students	93,460	90,949	93,685	112,199	107,175	103,776	98,352	104,249	(b)	(b)
Number of students with free or reduced lunches	391	542	335	397	269	244	221	227	221	219

Source: District records.

Notes:

- (a) Figure for Graduates was not readily available for this fiscal year.
- (b) Figures for Graduates and Meals Served to Students were not readily available for these fiscal years.
- (c) Figure includes public and nonpublic riders.

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

CAPITAL ASSET STATISTICS
LAST SEVEN FISCAL YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
Construction in progress	1,364,921	-	-	16,744,797
Land improvements	1,632,370	1,682,140	1,760,200	234,994
Buildings and improvements	15,358,091	16,987,163	17,441,843	3,359,812
Furniture and equipment	305,854	335,266	268,566	175,455
Vehicles	284,523	259,227	232,816	347,426
Total Governmental Activities				
Capital Assets, net	<u>\$ 19,467,575</u>	<u>\$ 19,785,612</u>	<u>\$ 20,225,241</u>	<u>\$ 21,384,300</u>

Source: School District financial records.

Note: Amounts above are presented net of accumulated depreciation.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 521,816	\$ 521,816	\$ 399,414
7,672,018	881,477	-
241,420	244,908	188,946
3,405,751	3,441,144	3,471,209
186,627	183,305	224,658
360,479	415,860	474,268
<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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	599	609	623	615
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	540	552	582	597
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	589	585	596	610
Total enrollment by year	1,728	1,746	1,801	1,822

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.

2005	2004	2003	2002	2001	2000
(a)	(a)	(a)	(a)	(a)	(a)
(a)	(a)	(a)	(a)	(a)	(a)
596	623	609	579	580	552
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
622	593	601	607	601	623
57,096	57,096	57,096	57,096	57,096	57,096
381	381	381	381	381	381
591	618	639	650	706	680
1,809	1,834	1,849	1,836	1,887	1,855

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

OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	General Government		Governmental Activities (b)		Enrollment (c)	Percent Change	Teaching Staff	Pupil/Teacher Ratio
	Expenditures (a)	Cost per pupil	Expenses (a)	Cost per pupil				
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
2001	11,122,642	5,894	n/a	n/a	1,887	1.73%	119	15.86
2000	9,831,589	5,300	n/a	n/a	1,855	n/a	116	15.99

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.



Mary Taylor, CPA
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
MARCH 18, 2010