

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

**SUPPLEMENTAL REPORTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**SUSAN BEMENT, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Keystone Local School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 1, 2013

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

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**KEYSTONE LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(G) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<b>Child Nutrition Grant Cluster:</b>				
(C)(D) School Breakfast Program	10.553	2012	\$ 26,995	\$ 26,995
(B)(D) National School Lunch Program - Food Donation	10.555	2012	24,274	24,274
(C)(D) National School Lunch Program	10.555	2012	191,807	191,807
<b>Total National School Lunch Program</b>			<u>216,081</u>	<u>216,081</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<u>243,076</u>	<u>243,076</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<b>Title I Grant Cluster:</b>				
(E)(H) Title I Grants to Local Educational Agencies	84.010	2011	21,947	25,119
(E)(H) Title I Grants to Local Educational Agencies	84.010	2012	157,380	158,755
<b>Total Title I Grants to Local Educational Agencies</b>			<u>179,327</u>	<u>183,874</u>
(E) ARRA - Title I Grants to Local Educational Agencies, Recovery Ac	84.389	2011	-	10,372
<b>Total Title I Grant Cluster</b>			<u>179,327</u>	<u>194,246</u>
<b>Special Education Grant Cluster:</b>				
(F) Special Education Grants to States	84.027	2012	310,596	327,212
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	-	99
<b>Total Special Education Grant Cluster</b>			<u>310,596</u>	<u>327,311</u>
(H) Educational Technology State Grants	84.318	2011	(1,304)	-
(H) Educational Technology State Grants	84.318	2012	2,783	2,783
<b>Total Educational Technology State Grants</b>			<u>1,479</u>	<u>2,783</u>
(H) Improving Teacher Quality State Grants	84.367	2011	(1,162)	675
(H) Improving Teacher Quality State Grants	84.367	2012	50,115	55,721
<b>Total Improving Teacher Quality State Grants</b>			<u>48,953</u>	<u>56,396</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Ac	84.394	2011	-	31,248
(H) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395A	2012	45,000	38,142
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Ohio Residence Program, Recovery Ac	84.395A	2012	1,750	1,750
<b>Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act</b>			<u>46,750</u>	<u>39,892</u>
(H) Education Jobs Fund	84.410	2012	329,634	323,808
<b>Total U.S. Department of Education</b>			<u>916,739</u>	<u>975,684</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,159,815</u>	<u>\$ 1,218,760</u>

continued

**KEYSTONE LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

- (A) This schedule was prepared on the cash basis of accounting
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (E) Included as part of "Title I Grant Cluster" in determining major programs
- (F) Included as part of "Special Education Grant Cluster" in determining major programs
- (G) OAKS did not assign pass-through numbers for fiscal year 2012
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2011	\$28,703	
Title I Grants to Local Educational Agencies	84.010	2012		\$28,703
Educational Technology State Grants	84.318	2011	1,304	
Educational Technology State Grants	84.318	2012		1,304
Improving Teacher Quality State Grants	84.367	2011	1,162	
Improving Teacher Quality State Grants	84.367	2012		1,162
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395A	2011	25,000	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395A	2012		25,000
Education Jobs Fund	84.410	2011	30,000	
Education Jobs Fund	84.410	2012		30,000
Totals			\$86,169	\$86,169





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Keystone Local School District's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Keystone Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
Keystone Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Keystone Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.  
December 19, 2012



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Keystone Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Keystone Local School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Keystone Local School District's major federal programs. The Keystone Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Keystone Local School District's compliance based on our audit.

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

In our opinion, the Keystone Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Board of Education  
Keystone Local School District

### Internal Control Over Compliance

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

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

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

### Schedule of Receipts and Expenditures of Federal Awards

We have also audited and issued our unqualified opinion on 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, 2012, and have issued our report thereon dated December 19, 2012. Our audit was performed to form opinions on the financial statements that collectively comprise the Keystone Local School District's basic financial statements taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Board of Education  
Keystone Local School District

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

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

Julian & Grube, Inc.  
December 19, 2012

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027 and ARRA - Special Education Grants to States, Recovery Act, CFDA #84.391; Education Jobs Fund, CFDA #84.410
<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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

**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**

None

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

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2011-KLSD-001	34 CFR 80.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. At fiscal year end, the District had \$31,248 of SFSF grant monies on hand. This amount exceeded the District's last advance from the Ohio Department of Education through the foundation settlement.	Yes	N/A



# Keystone Local School District

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## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended  
June 30, 2012*



**Board of Education**  
Keystone Local School District  
Lagrange, Ohio

**Jay Arbaugh**  
Superintendent



**Susan Bement**  
Treasurer/CFO

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## INTRODUCTORY SECTION

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**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## KEYSTONE LOCAL SCHOOL DISTRICT

December 19, 2012

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, 2012 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, 2012, were audited by Julian & Grube, Inc. whose opinion thereon is included at the beginning of the Financial Section of this report.

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

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

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

### **Profile of the Keystone Local School District**

#### ***The District and its Facilities***

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

### ***Organizational Structure of the District***

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

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

### ***Educational Highlights & Strategy***

The District achieved its goal of being designated "Excellent with Distinction" on its State report card for the first time in fiscal year 2012, with Keystone Elementary School being rated "Excellent with Distinction" and Keystone Middle School and Keystone High School being rated "Excellent." This overall District designation is an improvement from fiscal year 2011 when the District received an "Effective" rating, as well as the two fiscal years prior when the District earned an overall "Excellent" rating.

### ***Economic Condition***

The District has been able to maintain a confident and stable financial position over the past several years. The District's conservative financial record has given it the ability to operate successfully without new funding from District voters. Of all school districts in Lorain County, the District has one of the lowest cost per pupil rates. However, economic changes in the real estate market and the State funding formula will make it necessary within the next few years to request new operating funds from voters. Also, the recent downturn in the real estate market resulted in valuation declines during fiscal year 2012.

### ***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 2014. However, beginning in fiscal year 2012, District expenditures began overtaking revenues. The District is in the initial stages of implementing a cash reserve policy to ensure cash reserves are maintained at appropriate levels.

Long-term projections show total revenue to be stable. Local tax valuations have declined due to a drop in home sale prices, thereby causing local property tax receipts to decline. Long-term projections for State funding are expected to decline slightly over the next few years due to the implementation of a new State funding formula and the current economic status of the State budget. Even though District enrollment has declined slightly in four of the last five years, projected District enrollment over the next five years is expected to remain consistent due to increases in open enrollment. The District's five-year forecast is updated frequently for changes in local and State economic conditions.

### ***Major Initiatives***

The District is exploring several grant initiatives to continue its upward trend in academic performance without sacrificing financial stability. The District has taken a leading role in utilizing grant funds to finance its Project Lead the Way program. The District is also one of many districts in the State receiving Race to the Top funding. The District is in the very beginning stages of developing a plan to address the need for new operating funds in two to three years. These initiatives and others are a commitment by the District to proactively seek solutions to avoid financial pitfalls in the future.

The District has embarked on two key facility initiatives during the past few years. First, with the passage of a "No New Tax" bond levy in November of 2010, the District began construction of its sixth through eighth grade middle school in the spring of 2011. The new middle school building will open in January of 2013. Then, approval was received from the State in July of 2012 to begin the process of planning an OSFC project to complete the District's campus with a new elementary school. This project will be entirely funded by the State. Also, in August of 2009, the District opened its new all-weather track. The District recently started a campaign in conjunction with the Keystone Athletic Team Supporters (KATS) organization to begin the next phase for the new athletic complex.

In regards to academics, the District has reached its goal of achieving the Ohio Department of Education designation of "Excellent with Distinction" and has become one of the highest achieving districts in Lorain County.

### **Internal Accounting and Budgetary Control**

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

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

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

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

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

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

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

### **Financial Reporting**

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

*Government-wide financial statements* - These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by business enterprises. The government-wide statements include all financial activities of the primary government (as defined on the following page), except fiduciary funds.

*Fund financial statements* - These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. 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 North Coast Council (NCC), the Lake Erie Regional Council (LERC) and the Ohio Schools Council Association including the Workers' Compensation Group Rating Program. These organizations are presented in Note 2.A to the basic financial statements.

## **Awards**

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Keystone Local School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

## **Acknowledgments**

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

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

Respectfully submitted,



Ms. Susan C. Bement  
Treasurer/CFO

**Keystone Local School District  
List of Principal Officials  
As of June 30, 2012**

***Board of Education***

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

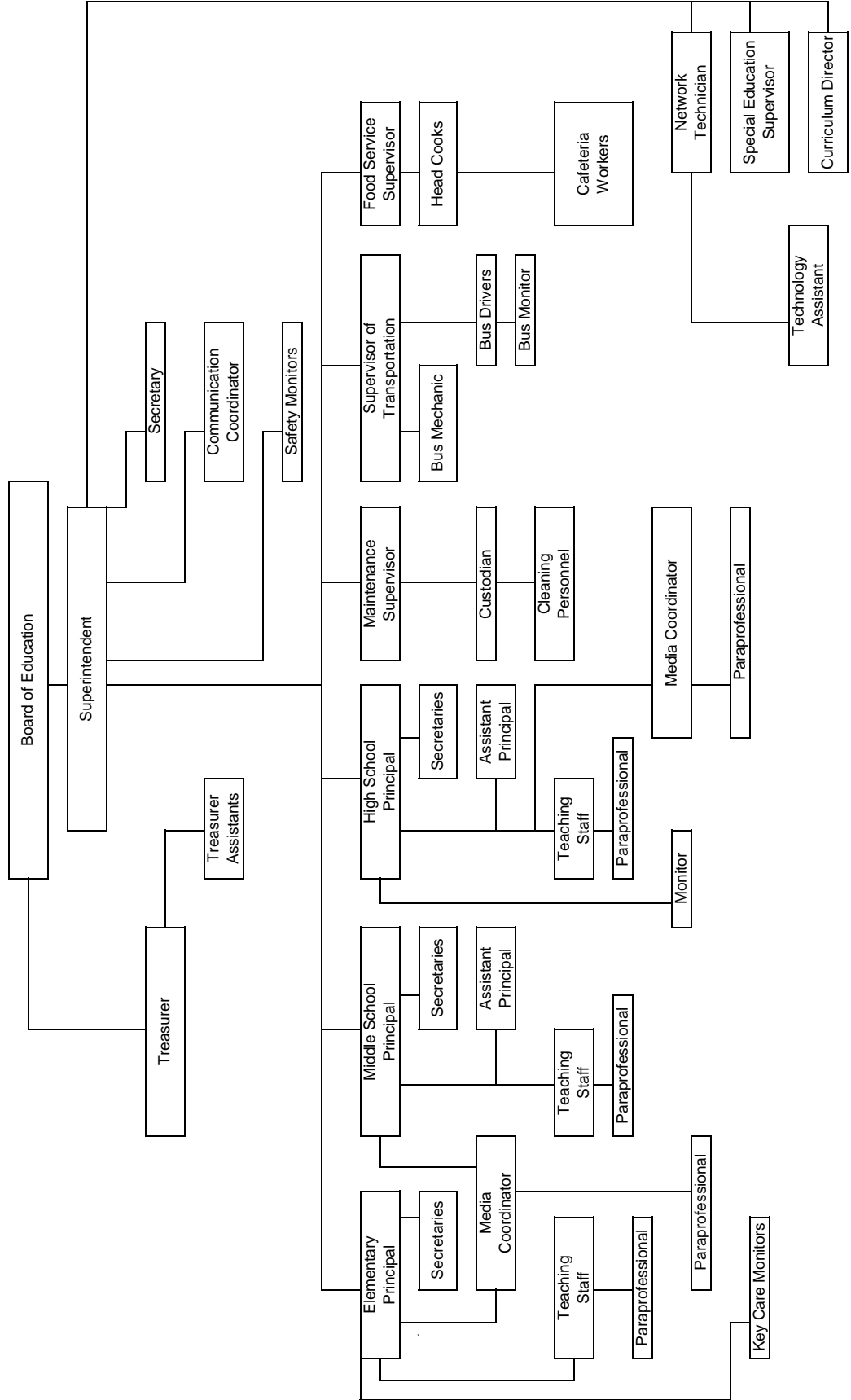
***Administration***

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

***Treasurer/CFO***

Susan Bement

KEYSTONE LOCAL SCHOOL DISTRICT  
ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Keystone Local School District  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Sandison*

President

*Jeffrey R. Emer*

Executive Director

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## FINANCIAL SECTION

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Keystone Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Keystone Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the Keystone Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report  
Keystone Local School District

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* on pages 13 through 24 as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Keystone Local School District's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information provides additional analysis and are not a required part of the basic financial statements. The financial section's combining statements, individual fund statements and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.



Julian & Grube, Inc.  
December 19, 2012

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and 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 2012 are as follows:

- During fiscal year 2012, net assets of governmental activities decreased \$317,315 from \$10,325,497 to \$10,008,182. This represents a 3.07% decrease from June 30, 2011.
- General revenues accounted for \$15,129,540 in revenue or 84.20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,838,565 or 15.80% of total revenues of \$17,968,105.
- The District had \$18,285,420 in expenses related to governmental activities; only \$2,838,565 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 \$15,129,540 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$13,831,692 in revenues and \$14,129,326 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$297,634 from \$4,446,582 to \$4,148,948.
- The debt service fund had \$11,430,507 in revenues and other financing sources and \$11,081,335 in expenditures and other financing uses. These significant amounts are a result of a bond refunding that occurred during fiscal year 2012. During fiscal year 2012, the debt service fund's fund balance increased \$349,172 from \$964,028 to \$1,313,200.
- The building fund had \$28,695 in revenues and \$6,306,600 in expenditures. The significant amount of expenditures is due to a construction project that was ongoing during fiscal year 2012. During fiscal year 2012, the building fund's fund balance decreased \$6,277,905 from \$10,830,442 to \$4,552,537.

**Using these Basic Financial Statements (BFS)**

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The District's statement of net assets and statement of activities can be found on pages 25 and 26 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 19. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund. All other governmental funds are considered nonmajor.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 27-31 of this report.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***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 33-64 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, 2012 and June 30, 2011.

	<b>Net Assets</b>		
	Governmental Activities 2012	Governmental Activities 2011	Percent Change
<b><u>Assets</u></b>			
Current and other assets	\$ 20,645,547	\$ 26,018,832	(20.65) %
Capital assets, net	<u>24,808,602</u>	<u>19,179,663</u>	29.35 %
Total assets	<u>45,454,149</u>	<u>45,198,495</u>	0.57 %
<b><u>Liabilities</u></b>			
Current liabilities	8,444,815	7,520,915	12.28 %
Long-term liabilities	<u>27,001,152</u>	<u>27,352,083</u>	(1.28) %
Total liabilities	<u>35,445,967</u>	<u>34,872,998</u>	1.64 %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	3,452,926	3,636,413	(5.05) %
Restricted	2,671,345	2,733,109	(2.26) %
Unrestricted	<u>3,883,911</u>	<u>3,955,975</u>	(1.82) %
Total net assets	<u>\$ 10,008,182</u>	<u>\$ 10,325,497</u>	(3.07) %

During fiscal year 2012, the District spent a significant amount of funds on the construction of a new middle school, which caused current cash and investment assets to decrease and construction in progress capital assets to increase as of June 30, 2012.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$10,008,182. Of this total, \$2,671,345 is restricted in use and \$3,452,926 is invested in capital assets (net of related debt), resulting in unrestricted net assets of \$3,883,911.

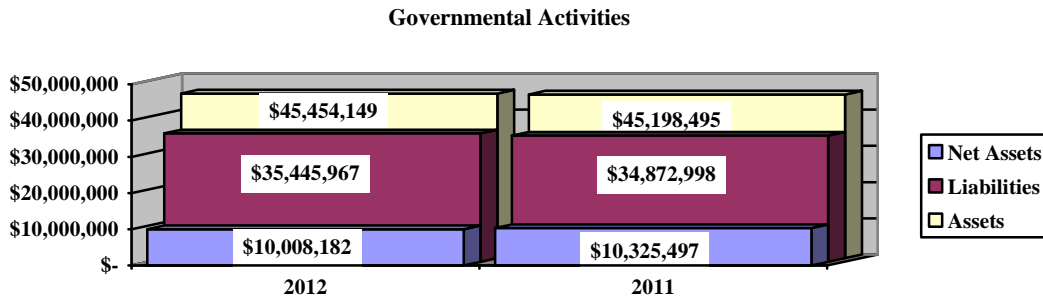
**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

At year-end, capital assets represented 54.58% 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, 2012, were \$3,452,926. 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, \$2,671,345, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,883,911 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, 2012 and June 30, 2011:



The table below shows the change in net assets for fiscal years 2012 and 2011.

	<b>Change in Net Assets</b>		<u>Percent Change</u>
	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>	
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 1,521,772	\$ 1,171,789	29.87 %
Operating grants and contributions	1,299,401	2,389,423	(45.62) %
Capital grants and contributions	17,392	-	100.00 %
General revenues:			
Property taxes	7,228,963	6,538,167	10.57 %
Grants and entitlements	7,570,683	7,498,166	0.97 %
Investment earnings	52,105	48,618	7.17 %
Other	<u>277,789</u>	<u>287,507</u>	(3.38) %
Total revenues	<u>17,968,105</u>	<u>17,933,670</u>	0.19 %

During fiscal year 2012, charges for services and sales increased \$349,983 or 29.87% due to a substantial increase in open enrollment tuition receipts. Operating grants and contributions decreased \$1,090,022 or 45.62% primarily because of the decline in education stabilization and education jobs program federal funding. Property tax revenue increased \$690,796 or 10.57% due to an increase in the delinquent taxes outstanding to the District reported by Lorain County at June 30, 2012.



**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Change in Net Assets</b>		
	Governmental	Governmental	Percentage
	Activities	Activities	
	<u>2012</u>	<u>2011</u>	<u>Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 7,812,891	\$ 7,886,625	(0.93) %
Special	1,752,181	1,705,354	2.75 %
Vocational	106,481	102,822	3.56 %
Other	100,517	91,730	9.58 %
Support services:			
Pupil	1,018,365	1,005,556	1.27 %
Instructional staff	507,328	473,860	7.06 %
Board of education	51,535	32,725	57.48 %
Administration	1,170,114	1,216,788	(3.84) %
Fiscal	497,950	448,063	11.13 %
Operations and maintenance	1,273,567	1,173,432	8.53 %
Pupil transportation	963,081	887,051	8.57 %
Central	478,171	373,804	27.92 %
Operations of non-instructional services:			
Food service operations	542,523	504,207	7.60 %
Latchkey operations	54,577	49,485	10.29 %
Other non-instructional services	62,265	86,977	(28.41) %
Extracurricular activities	522,179	454,751	14.83 %
Interest and fiscal charges	<u>1,371,695</u>	<u>1,142,919</u>	20.02 %
Total expenses	<u>18,285,420</u>	<u>17,636,149</u>	3.68 %
Change in net assets	(317,315)	297,521	(206.65) %
Net assets at beginning of year	<u>10,325,497</u>	<u>10,027,976</u>	2.97 %
Net assets at end of year	<u>\$ 10,008,182</u>	<u>\$ 10,325,497</u>	(3.07) %

During fiscal year 2012, interest and fiscal charges increased \$228,776 or 20.02% due to the writing off of accreted interest liability associated with the series 2004 capital appreciation bonds. As part of the fiscal year 2012 bond refunding, the District is no longer liable for the accreted interest portion of those capital appreciation bonds.

**Governmental Activities**

Net assets of the District's governmental activities decreased \$317,315. Total governmental expenses of \$18,285,420 were offset by program revenues of \$2,838,565 and general revenues of \$15,129,540. Program revenues supported 15.52% 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 82.37% of total governmental revenue.

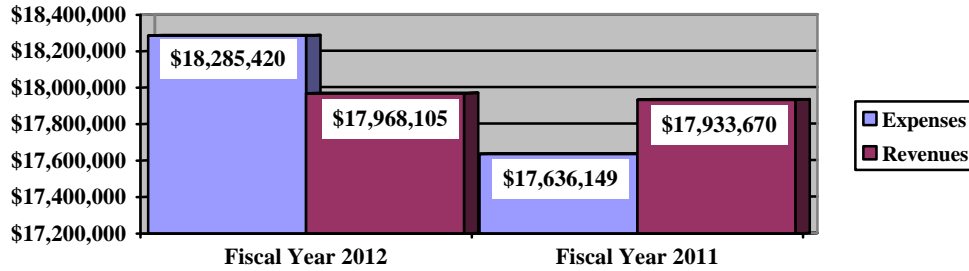
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,772,070 or 53.44% of total governmental expenses for fiscal year 2012.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

**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 2012 and 2011. 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>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,812,891	\$ 6,843,958	\$ 7,886,625	\$ 6,754,221
Special	1,752,181	1,077,725	1,705,354	880,305
Vocational	106,481	93,618	102,822	89,959
Other	100,517	80,678	91,730	74,600
Support services:				
Pupil	1,018,365	869,005	1,005,556	849,947
Instructional staff	507,328	415,462	473,860	329,561
Board of education	51,535	51,535	32,725	32,725
Administration	1,170,114	1,156,419	1,216,788	1,143,234
Fiscal	497,950	492,845	448,063	447,932
Operations and maintenance	1,273,567	1,262,905	1,173,432	909,218
Pupil transportation	963,081	890,500	887,051	832,049
Central	478,171	472,464	373,804	231,221
Operations of non-instructional services:				
Food service operations	542,523	(40,042)	504,207	(26,387)
Latchkey operations	54,577	(11,843)	49,485	(411)
Other non-instructional services	62,265	(14,303)	86,977	13,430
Extracurricular activities	522,179	434,234	454,751	370,414
Interest and fiscal charges	<u>1,371,695</u>	<u>1,371,695</u>	<u>1,142,919</u>	<u>1,142,919</u>
<b>Total Expenses</b>	<u>\$ 18,285,420</u>	<u>\$ 15,446,855</u>	<u>\$ 17,636,149</u>	<u>\$ 14,074,937</u>

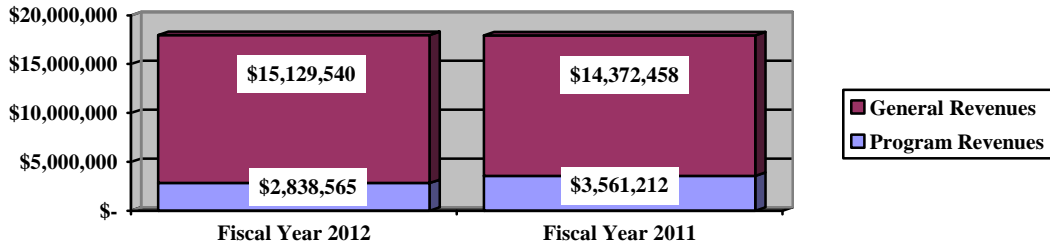
**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The dependence upon tax and other general revenues for governmental activities is apparent, 82.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.48%. 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 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$11,276,812, which is less than last year's total balance of \$17,683,500. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase/ (Decrease)
General Fund	\$ 4,148,948	\$ 4,446,582	\$ (297,634)
Debt Service Fund	1,313,200	964,028	349,172
Building Fund	4,552,537	10,830,442	(6,277,905)
Other Governmental Funds	<u>1,262,127</u>	<u>1,442,448</u>	<u>(180,321)</u>
Total	<u>\$ 11,276,812</u>	<u>\$ 17,683,500</u>	<u>\$ (6,406,688)</u>

**General Fund**

The District's general fund balance decreased \$297,634. The table that follows assists in illustrating the financial activities of the general fund.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,249,981	\$ 5,311,279	\$ (61,298)	(1.15) %
Tuition	930,521	603,722	326,799	54.13 %
Earnings on investments	24,201	25,930	(1,729)	(6.67) %
Intergovernmental	7,191,791	7,380,778	(188,987)	(2.56) %
Other revenues	<u>435,198</u>	<u>421,397</u>	<u>13,801</u>	3.28 %
Total	<u>\$ 13,831,692</u>	<u>\$ 13,743,106</u>	<u>\$ 88,586</u>	0.64 %
<b><u>Expenditures</u></b>				
Instruction	\$ 8,237,674	\$ 8,565,886	\$ (328,212)	(3.83) %
Support services	5,396,177	4,690,256	705,921	15.05 %
Operation of non-instructional services	59,768	49,485	10,283	20.78 %
Extracurricular activities	303,667	296,963	6,704	2.26 %
Capital outlay	-	372,368	(372,368)	(100.00) %
Debt service	<u>90,240</u>	<u>45,120</u>	<u>45,120</u>	100.00 %
Total	<u>\$ 14,087,526</u>	<u>\$ 14,020,078</u>	<u>\$ 67,448</u>	0.48 %

Overall revenues of the general fund increased \$88,586 or 0.64% during fiscal year 2012.

Tuition revenue increased \$326,799 or 54.13% due to a substantial increase in open enrollment receipts. All other revenue classification amounts remained comparable to fiscal year 2011 totals.

Overall expenditures of the general fund increased \$67,448 or 0.48% during fiscal year 2012.

Instruction expenditures decreased \$328,212 or 3.83% mainly due to certain personnel costs that were previously paid for out of the general fund being paid for through education jobs federal funding during fiscal year 2012. Support services expenditures increased \$705,921 or 15.05% primarily due to increases in operations and maintenance and central services expenditures. These expenditure classifications increased due to a rise in utility costs and the purchase of data processing services. Capital outlay expenditures decreased \$372,368 or 100.00% due to a capital lease obligation entered into during fiscal year 2011. Debt service expenditures increased \$45,120 or 100.00% due to the District making its first full year of capital lease obligation payments during fiscal year 2012.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***Debt Service Fund***

The District's debt service fund balance increased \$349,172. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,294,297	\$ 1,271,161	\$ 23,136	1.82 %
Earnings on investments	7,173	-	7,173	100.00 %
Intergovernmental	<u>638,479</u>	<u>372,481</u>	<u>265,998</u>	71.41 %
Total	<u>\$ 1,939,949</u>	<u>\$ 1,643,642</u>	<u>\$ 296,307</u>	18.03 %
<b><u>Expenditures</u></b>				
Support services	\$ 23,842	\$ 22,751	\$ 1,091	4.80 %
Debt service	<u>1,688,053</u>	<u>2,026,343</u>	<u>(338,290)</u>	(16.69) %
Total	<u>\$ 1,711,895</u>	<u>\$ 2,049,094</u>	<u>\$ (337,199)</u>	(16.46) %

The increase in intergovernmental revenue is due to the District receiving its first full year of federal reimbursements for debt service payments made during fiscal year 2012. The decrease in debt service expenditures is related to a significant decline in the principal due on the series 2004 general obligation bonds in fiscal year 2012 compared to the principal paid on the bonds during fiscal year 2011.

***Building Fund***

The District's building fund balance decreased \$6,277,905. The table that follows assists in illustrating the financial activities of the building fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Increase</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Earnings on investments	\$ 21,745	\$ 21,515	\$ 230	1.07 %
Other revenues	<u>6,950</u>	<u>850</u>	<u>6,100</u>	717.65 %
Total	<u>\$ 28,695</u>	<u>\$ 22,365</u>	<u>\$ 6,330</u>	28.30 %
<b><u>Expenditures</u></b>				
Support services	\$ 13,914	\$ -	\$ 13,914	100.00 %
Facilities acquisition and construction	<u>6,292,686</u>	<u>695,396</u>	<u>5,597,290</u>	804.91 %
Total	<u>\$ 6,306,600</u>	<u>\$ 695,396</u>	<u>\$ 5,611,204</u>	806.91 %

During fiscal year 2012, the District made significant expenditures related to the construction of a new middle school, which caused an increase in facilities acquisition and construction expenditures.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***General Fund Budgeting Highlights***

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

For the general fund, final budgeted revenues and other financing sources were \$13,632,122, which was more than the original budgeted revenues and other financing sources estimate of \$13,016,124. Actual revenues and other financing sources for fiscal year 2012 were \$13,629,974. This represents a \$2,148 decrease from final budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$14,025,173, which is \$178,446 more than the original budgeted appropriations and other financing uses of \$13,846,727. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$14,014,563, which was \$10,610 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$24,808,602 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, 2012 balances compared to June 30, 2011:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 521,816	\$ 521,816
Construction in progress	6,988,082	695,396
Land improvements	2,645,679	2,704,100
Buildings and improvements	13,792,480	14,292,785
Furniture and equipment	520,826	634,566
Vehicles	339,719	331,000
<b>Total</b>	<b><u>\$ 24,808,602</u></b>	<b><u>\$ 19,179,663</u></b>

The overall increase in capital assets of \$5,628,939 is due to capital assets additions of \$6,537,372 exceeding depreciation expense of \$908,433 during fiscal year 2012.

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

***Debt Administration***

At June 30, 2012, the District had \$24,890,244 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also had \$274,684 and \$752,000 in capital lease obligations and lease-purchase agreement obligations outstanding, respectively. Of the total debt obligations outstanding at June 30, 2012, \$325,825 is due within one year and \$25,591,103 is due in more than one year.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**Outstanding Debt, at Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 24,070,000	\$ 24,310,000
Capital appreciation bonds	769,713	674,987
Accreted interest	50,531	146,662
Capital lease obligation	274,684	340,081
Lease-purchase agreement	<u>752,000</u>	<u>800,000</u>
Total	<u>\$ 25,916,928</u>	<u>\$ 26,271,730</u>

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

**Current Financial Related Activities**

The short-term financial outlook for the District is disheartening. During the current fiscal year, expenditures exceeded revenues. The long-term financial outlook (fiscal years 2013-2017) 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. They will seek ways to improve the efficiency of the District budget through either alternative revenue sources and/or budget reductions.

The District obtains approximately 52% of its general fund revenue from the federal and State governments, 38% from local property taxes and 10% from other local sources. There are challenges ahead for the District on both the State and local fronts that will largely impact the financial future of the District.

The administration of Governor John Kasich, with the passage of HB153 (biennium budget for fiscal years 2012-2013), is proposing a new school funding formula that has not been formulated as of yet. School districts are to be funded in fiscal year 2012 and fiscal year 2013 based on a 'bridge formula', which is a transitional formula until a new funding mechanism is implemented with the next biennium.

Locally, the District receives approximately 38% of its general fund revenue from local property taxes. Property taxes are driven by voted rates and property values. Local valuation growth is largely driven by a county auditor reappraisal/update conducted every three years. On average, this would yield a 12-14% increase in value for the District. However, with the recent severe crisis in the mortgage and real estate market, the District experienced a 5% decline in residential real estate values for its triennial update in calendar year 2009. This has resulted in the District lifting slightly off the 20-mill floor. The District is not projecting any significant growth from the reappraisal in calendar year 2012.

In addition to real property tax revenue, the District receives tax revenue from personal property, specifically public utilities. The tangible personal property tax was completely phased out in 2010, with the exception of telephone tangible personal property tax. This revenue was being reimbursed from the State, but was reduced from \$406,917 in fiscal year 2011 to \$151,471 in fiscal year 2012. No further reimbursements will be received.

The District also received education jobs program federal funding during fiscal years 2011 and 2012, which paid for 8.5 full time equivalent teacher salaries. This funding will no longer be available in future years.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The District did see a favorable increase in open enrollment during fiscal year 2012, resulting in an increase in tuition cash receipts of approximately \$368,000. Even with the offset of the increase in open enrollment, the declines in revenues will necessitate the District to seek additional funding sources in the coming years.

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. In 2010, the community again supported the District by passing a 2.19 "No New Tax" bond issue to finance the construction of its new middle school. The District has a clear and well defined plan to seek new operating dollars and prosper financially long-term. The District has undergone an extensive strategic planning initiative that involved the community in establishing a common vision and direction for the District. A Financial Advisory Committee meets 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 District students.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Susan Bement, Treasurer/CFO, Keystone Local School District, 301 Liberty Street, P.O. Box 65, LaGrange, Ohio 44136, or e-mail at [Susan.Bement@keystone.k12.oh.us](mailto:Susan.Bement@keystone.k12.oh.us).



**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 12,737,094
Cash with fiscal agents . . . . .	5,157
Investment with fiscal agent . . . . .	220,414
Receivables:	
Taxes . . . . .	7,101,938
Accounts . . . . .	65,412
Intergovernmental . . . . .	149,818
Accrued interest . . . . .	6,149
Prepayments . . . . .	15,660
Materials and supplies inventory . . . . .	9,110
Unamortized bond issuance costs. . . . .	334,795
Capital assets:	
Land and construction in progress . . . . .	7,509,898
Depreciable capital assets, net . . . . .	17,298,704
Capital assets, net . . . . .	24,808,602
 Total assets . . . . .	 45,454,149
 <b>Liabilities:</b>	
Accounts payable . . . . .	122,058
Contracts payable . . . . .	656,038
Retainage payable . . . . .	196,752
Accrued wages and benefits . . . . .	1,182,192
Pension obligation payable . . . . .	319,536
Intergovernmental payable . . . . .	86,860
Accrued interest payable . . . . .	104,986
Matured bond and interest payable. . . . .	5,000
Unearned revenue . . . . .	5,771,393
Long-term liabilities:	
Due within one year. . . . .	438,703
Due in more than one year . . . . .	26,562,449
 Total liabilities . . . . .	 35,445,967
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	3,452,926
Restricted for:	
Capital projects. . . . .	983,742
Debt service . . . . .	1,325,294
Locally funded programs . . . . .	22,371
State funded programs . . . . .	41,576
Federally funded programs . . . . .	31,621
Student activities . . . . .	2,284
Other purposes . . . . .	264,457
Unrestricted . . . . .	3,883,911
 Total net assets. . . . .	 \$ 10,008,182

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,812,891	\$ 932,268	\$ 31,040	\$ 5,625	\$ (6,843,958)
Special . . . . .	1,752,181	72,099	602,357	-	(1,077,725)
Vocational . . . . .	106,481	-	12,863	-	(93,618)
Other . . . . .	100,517	-	19,839	-	(80,678)
Support services:					
Pupil . . . . .	1,018,365	16,096	133,264	-	(869,005)
Instructional staff . . . . .	507,328	647	91,219	-	(415,462)
Board of education . . . . .	51,535	-	-	-	(51,535)
Administration . . . . .	1,170,114	-	13,695	-	(1,156,419)
Fiscal . . . . .	497,950	-	4,644	461	(492,845)
Operations and maintenance . . . . .	1,273,567	7,817	-	2,845	(1,262,905)
Pupil transportation . . . . .	963,081	-	64,427	8,154	(890,500)
Central . . . . .	478,171	-	5,400	307	(472,464)
Operation of non-instructional services:					
Food service operations . . . . .	542,523	342,533	240,032	-	40,042
Latchkey operations . . . . .	54,577	66,420	-	-	11,843
Other non-instructional services . . . . .	62,265	-	76,568	-	14,303
Extracurricular activities . . . . .	522,179	83,892	4,053	-	(434,234)
Interest and fiscal charges . . . . .	1,371,695	-	-	-	(1,371,695)
<b>Total governmental activities . . . . .</b>	<b>\$ 18,285,420</b>	<b>\$ 1,521,772</b>	<b>\$ 1,299,401</b>	<b>\$ 17,392</b>	<b>(15,446,855)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	5,596,868
Debt service . . . . .	1,388,241
Capital outlay . . . . .	243,854
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	7,570,683
Miscellaneous . . . . .	52,105
	<u>277,789</u>
<b>Total general revenues . . . . .</b>	<b>15,129,540</b>
<b>Change in net assets . . . . .</b>	<b>(317,315)</b>
<b>Net assets at beginning of year . . . . .</b>	<b>10,325,497</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 10,008,182</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT**  
**LORAIN COUNTY**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 5,101,658	\$ 940,106	\$ 5,404,358	\$ 1,290,972	\$ 12,737,094
Cash with fiscal agents . . . . .	-	5,157	-	-	5,157
Investment with fiscal agent . . . . .	-	220,414	-	-	220,414
Receivables:					
Taxes. . . . .	5,479,695	1,383,326	-	238,917	7,101,938
Accounts . . . . .	62,650	-	-	2,762	65,412
Intergovernmental. . . . .	8,040	-	-	141,778	149,818
Accrued interest . . . . .	2,855	1,602	1,692	-	6,149
Interfund loans . . . . .	24,010	-	-	-	24,010
Prepayments. . . . .	15,660	-	-	-	15,660
Materials and supplies inventory. . . . .	-	-	-	9,110	9,110
Total assets . . . . .	<u>\$ 10,694,568</u>	<u>\$ 2,550,605</u>	<u>\$ 5,406,050</u>	<u>\$ 1,683,539</u>	<u>\$ 20,334,762</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 94,927	\$ -	\$ -	\$ 27,131	\$ 122,058
Contracts payable. . . . .	-	-	656,038	-	656,038
Retainage payable. . . . .	-	-	196,752	-	196,752
Accrued wages and benefits. . . . .	1,081,946	-	-	100,246	1,182,192
Compensated absences payable . . . . .	61,335	-	-	-	61,335
Retirement incentive payable . . . . .	10,673	-	-	-	10,673
Interfund loans payable. . . . .	-	-	-	24,010	24,010
Pension obligation payable . . . . .	301,303	-	-	18,233	319,536
Intergovernmental payable . . . . .	78,134	-	-	8,726	86,860
Matured bond and interest payable. . . . .	-	5,000	-	-	5,000
Deferred revenue . . . . .	453,424	117,080	723	50,876	622,103
Unearned revenue. . . . .	4,463,878	1,115,325	-	192,190	5,771,393
Total liabilities. . . . .	<u>6,545,620</u>	<u>1,237,405</u>	<u>853,513</u>	<u>421,412</u>	<u>9,057,950</u>
<b>Fund Balances:</b>					
Nonspendable:					
Prepayments. . . . .	15,660	-	-	-	15,660
Materials and supplies inventory. . . . .	-	-	-	9,110	9,110
Restricted:					
Debt service . . . . .	-	1,313,200	-	-	1,313,200
Capital improvements . . . . .	-	-	4,552,537	920,276	5,472,813
Food service operations . . . . .	-	-	-	255,397	255,397
Non-public schools . . . . .	-	-	-	37,406	37,406
Special education . . . . .	-	-	-	13,536	13,536
Targeted academic assistance . . . . .	-	-	-	460	460
Extracurricular activities. . . . .	-	-	-	2,284	2,284
Other purposes. . . . .	-	-	-	34,910	34,910
Committed:					
Capital improvements . . . . .	-	-	-	7,392	7,392
Student instruction . . . . .	85,612	-	-	-	85,612
Student and staff support . . . . .	37,587	-	-	-	37,587
Assigned:					
Student instruction . . . . .	70,827	-	-	-	70,827
Student and staff support. . . . .	59,350	-	-	-	59,350
Extracurricular activities . . . . .	2,000	-	-	-	2,000
School supplies . . . . .	17,762	-	-	-	17,762
Child care programs . . . . .	36,315	-	-	-	36,315
Health and wellness . . . . .	405,490	-	-	-	405,490
Future appropriations. . . . .	992,173	-	-	-	992,173
Unassigned (deficit) . . . . .	2,426,172	-	-	(18,644)	2,407,528
Total fund balances . . . . .	<u>4,148,948</u>	<u>1,313,200</u>	<u>4,552,537</u>	<u>1,262,127</u>	<u>11,276,812</u>
Total liabilities and fund balances . . . . .	<u>\$ 10,694,568</u>	<u>\$ 2,550,605</u>	<u>\$ 5,406,050</u>	<u>\$ 1,683,539</u>	<u>\$ 20,334,762</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund balances</b>		\$	11,276,812
<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.			24,808,602
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	582,408	
Accrued interest receivable		2,890	
Intergovernmental receivable		36,805	
Total			622,103
Unamortized premiums on bond issuances are not recognized in the funds.			(1,146,306)
Unamortized bond issuance costs are not recognized in the funds.			334,795
Unamortized deferred amounts on refundings are not recognized in the funds.			810,327
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		(24,890,244)	
Capital lease obligation payable		(274,684)	
Lease-purchase agreement payable		(752,000)	
Compensated absences payable		(676,237)	
Accrued interest payable		(104,986)	
Total			(26,698,151)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>10,008,182</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 5,249,981	\$ 1,294,297	\$ -	\$ 225,905	\$ 6,770,183
Tuition and fees . . . . .	930,521	-	-	-	930,521
Charges for services . . . . .	200	-	-	338,393	338,593
Earnings on investments . . . . .	24,201	7,173	21,745	575	53,694
Extracurricular . . . . .	16,578	-	-	82,359	98,937
Classroom materials and fees . . . . .	69,433	-	-	-	69,433
Rental income . . . . .	7,817	-	-	-	7,817
Contributions and donations . . . . .	-	-	-	29,069	29,069
Contract services . . . . .	3,911	-	-	-	3,911
Other local revenues . . . . .	337,259	-	6,950	6,140	350,349
Intergovernmental - intermediate . . . . .	-	-	-	40,007	40,007
Intergovernmental - state . . . . .	7,162,336	186,763	-	130,937	7,480,036
Intergovernmental - federal . . . . .	29,455	451,716	-	1,216,402	1,697,573
<b>Total revenues . . . . .</b>	<b>13,831,692</b>	<b>1,939,949</b>	<b>28,695</b>	<b>2,069,787</b>	<b>17,870,123</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	6,677,164	-	-	428,535	7,105,699
Special . . . . .	1,377,025	-	-	374,580	1,751,605
Vocational . . . . .	105,314	-	-	-	105,314
Other . . . . .	78,171	-	-	22,346	100,517
Support services:					
Pupil . . . . .	890,795	-	-	118,472	1,009,267
Instructional staff . . . . .	385,347	-	-	118,631	503,978
Board of education . . . . .	51,535	-	-	-	51,535
Administration . . . . .	1,146,172	-	-	12,990	1,159,162
Fiscal . . . . .	452,560	23,842	13,914	7,037	497,353
Operations and maintenance . . . . .	1,183,149	-	-	26,492	1,209,641
Pupil transportation . . . . .	885,125	-	-	75,927	961,052
Central . . . . .	401,494	-	-	69,557	471,051
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	541,275	541,275
Latchkey operations . . . . .	54,577	-	-	-	54,577
Other non-instructional services . . . . .	5,191	-	-	57,074	62,265
Extracurricular activities . . . . .	303,667	-	-	145,228	448,895
Facilities acquisition and construction . . . . .	-	-	6,292,686	210,957	6,503,643
Debt service:					
Principal retirement . . . . .	65,397	145,000	-	48,000	258,397
Interest and fiscal charges . . . . .	24,843	1,421,935	-	34,807	1,481,585
Bond issuance costs . . . . .	-	121,118	-	-	121,118
<b>Total expenditures . . . . .</b>	<b>14,087,526</b>	<b>1,711,895</b>	<b>6,306,600</b>	<b>2,291,908</b>	<b>24,397,929</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(255,834)	228,054	(6,277,905)	(222,121)	(6,527,806)
<b>Other financing sources (uses):</b>					
Sale of refunding bonds . . . . .	-	8,554,726	-	-	8,554,726
Premium on refunding bonds . . . . .	-	935,832	-	-	935,832
Payment to refunded bond escrow agent . . . . .	-	(9,369,440)	-	-	(9,369,440)
Transfers in . . . . .	-	-	-	41,800	41,800
Transfers (out) . . . . .	(41,800)	-	-	-	(41,800)
<b>Total other financing sources (uses) . . . . .</b>	<b>(41,800)</b>	<b>121,118</b>	<b>-</b>	<b>41,800</b>	<b>121,118</b>
Net change in fund balances . . . . .	(297,634)	349,172	(6,277,905)	(180,321)	(6,406,688)
<b>Fund balances at beginning of year . . . . .</b>	<b>4,446,582</b>	<b>964,028</b>	<b>10,830,442</b>	<b>1,442,448</b>	<b>17,683,500</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 4,148,948</b>	<b>\$ 1,313,200</b>	<b>\$ 4,552,537</b>	<b>\$ 1,262,127</b>	<b>\$ 11,276,812</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	(6,406,688)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 6,537,372	
Current year depreciation	(908,433)	
Total		5,628,939
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	458,780	
Earnings on investments	(1,014)	
Intergovernmental revenue	(359,784)	
Total		97,982
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 decreased interest being reported on the statement of activities:		
Decrease in accrued interest payable	13,726	
Decrease in accreted interest on "capital appreciation" bonds	96,131	
Amortization of bond premium	12,299	
Amortization of bond issuance costs	(8,153)	
Amortization of deferred charges on refundings	(4,113)	
Total		109,890
Issuance of refunding bonds is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as revenues as it increases liabilities on the statement of net assets.		
		(8,554,726)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:		
Bonds refunded	8,555,000	
Deferred charges on refundings	814,440	
Total		9,369,440
Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(935,832)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		121,118
Repayments of bonds, capital lease obligations and lease-purchase agreements are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		258,397
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.		
		(5,835)
<b>Change in net assets of governmental activities</b>	\$	<b>(317,315)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,964,658	\$ 5,184,125	\$ 5,184,126	\$ 1
Tuition and fees . . . . .	566,337	909,476	909,476	-
Earnings on investments . . . . .	24,467	29,101	27,823	(1,278)
Classroom materials and fees . . . . .	55,248	60,123	60,197	74
Rental income . . . . .	6,856	7,877	7,877	-
Contract services . . . . .	1,984	850	850	-
Other local revenues . . . . .	206,017	217,372	217,368	(4)
Intergovernmental - state . . . . .	7,111,672	7,162,336	7,162,336	-
Intergovernmental - federal . . . . .	49,446	30,236	29,455	(781)
Total revenues . . . . .	<u>12,986,685</u>	<u>13,601,496</u>	<u>13,599,508</u>	<u>(1,988)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,822,066	6,429,911	6,430,199	(288)
Special . . . . .	1,096,073	1,530,260	1,531,886	(1,626)
Vocational . . . . .	103,950	104,661	104,661	-
Other . . . . .	79,562	78,802	78,802	-
Support services:				
Pupil . . . . .	812,668	809,584	809,584	-
Instructional staff . . . . .	377,819	380,964	380,363	601
Board of education . . . . .	39,767	44,235	44,235	-
Administration . . . . .	1,155,718	1,155,296	1,153,292	2,004
Fiscal . . . . .	496,883	464,585	463,371	1,214
Operations and maintenance . . . . .	1,259,301	1,191,289	1,192,444	(1,155)
Pupil transportation . . . . .	856,979	892,337	881,952	10,385
Central . . . . .	345,600	394,521	395,046	(525)
Extracurricular activities . . . . .	300,341	312,768	312,768	-
Total expenditures . . . . .	<u>13,746,727</u>	<u>13,789,213</u>	<u>13,778,603</u>	<u>10,610</u>
Excess of expenditures over revenues . . . . .	<u>(760,042)</u>	<u>(187,717)</u>	<u>(179,095)</u>	<u>8,622</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures . . . . .	29,439	30,626	30,466	(160)
Transfers (out) . . . . .	(100,000)	(211,950)	(211,950)	-
Advances (out) . . . . .	-	(24,010)	(24,010)	-
Total other financing sources (uses) . . . . .	<u>(70,561)</u>	<u>(205,334)</u>	<u>(205,494)</u>	<u>(160)</u>
Net change in fund balance . . . . .	(830,603)	(393,051)	(384,589)	8,462
<b>Fund balance at beginning of year . . . . .</b>	4,653,412	4,653,412	4,653,412	-
<b>Prior year encumbrances appropriated . . . . .</b>	29,360	29,360	29,360	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,852,169</u>	<u>\$ 4,289,721</u>	<u>\$ 4,298,183</u>	<u>\$ 8,462</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 43,842
Total assets. . . . .	<u>\$ 43,842</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 3,725
Due to students. . . . .	<u>40,117</u>
Total liabilities. . . . .	<u>\$ 43,842</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

**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 staffed by 90 non-certified and 108 certified personnel to provide services to approximately 1,697 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Lorain County Joint Vocational School District (JVS)

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

North Coast Council (NCC)

Effective August 1, 2011, the Lake Erie Education Computer Association (LEECA) merged with the Lakeshore Northeast Ohio Computer Association (LNOCA) to form the North Coast Council (NCC). The merger resulted in Ohio's largest information technology center, with the NCC providing services to a six-county region in northeast Ohio, including two educational service centers, forty-five public school districts, ninety-nine non-public school districts, approximately twenty charter schools and six other educational entities. The NCC was formed to provide internet services, web hosting, and software support for payroll, human resources, libraries, and student information systems that include parent access. The NCC is wholly owned by its member districts and is governed by a Board of Directors that consists of a chairperson, vice-chairperson, recording secretary and six members from various NCC districts. 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 the 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. The 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 2012, the District paid \$1,482,827 to the LERC. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization comprised of one hundred and fifty-seven member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2012, the District paid \$13,745 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**

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

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

*FIDUCIARY FUNDS*

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

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

**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.

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

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

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

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

**D. Basis of Accounting**

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

**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, 2012, but which were levied to finance fiscal year 2013 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, 2012 are recorded as deferred revenue in the governmental funds. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

**E. Budgets**

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

**F. Cash and Investments**

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

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

During fiscal year 2012, investments were limited to federal agency securities, repurchase agreement, non-negotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. 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, 2012.

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 2012 amounted to \$24,201 which includes \$6,160 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the 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, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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



**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance**

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

**M. Net Assets**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

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

**Q. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

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

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bond's face value and the amount reported on the statement of net assets is presented in Note 11.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Education jobs	\$ 7,027
Title I	11,617

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans 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.

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 fair 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;

**KEYSTONE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**A. Cash with Fiscal Agents**

At June 30, 2012, the District had \$5,000 held by a fiscal agent in a bond and coupon account related to matured bond and interest and \$157 held by a fiscal agent in a cash account related to the District's sinking fund deposits (See Note 11.C.). These amounts are not included in "deposits with financial institutions" below.

**B. Investment with Fiscal Agent**

At June 30, 2012, the District had \$220,414 in federal agency securities held by a fiscal agent related to the District's sinking fund deposits (See Note 11.C.). This amount is reported as "investment with fiscal agent" on the financial statements.

**C. Cash on Hand**

At June 30, 2012, the District had \$100 in cash on hand. This amount is reported as "equity in pooled cash and investments" on the financial statements.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$2,279,738, exclusive of the \$2,210,000 repurchase agreement mentioned below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, all of the District's bank balance of \$2,367,600 was covered by the FDIC.

**E. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
U.S. Government						
money market funds	\$ 490,569	\$ 490,569	\$ -	\$ -	\$ -	\$ -
FHLB	2,905,475	930,143	1,074,742	400,580	500,010	-
FHLB discount notes	2,919,775	2,919,775	-	-	-	-
FHLMC	751,509	450,522	-	-	-	300,987
FHLMC discount notes	109,995	109,995	-	-	-	-
FNMA	1,062,862	610,499	-	150,992	-	301,371
Repurchase agreement	2,210,000	2,210,000	-	-	-	-
STAR Ohio	50,913	50,913	-	-	-	-
<b>Total</b>	<b>\$ 10,501,098</b>	<b>\$ 7,772,416</b>	<b>\$ 1,074,742</b>	<b>\$ 551,572</b>	<b>\$ 500,010</b>	<b>\$ 602,358</b>

The weighted average maturity of investments is 0.56 years.

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

*Credit Risk:* The District's investments in federal agency securities and the federal agency securities that underlie the District's repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market mutual funds an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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 fair 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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Government		
money market funds	\$ 490,569	4.67
FHLB	2,905,475	27.67
FHLB discount notes	2,919,775	27.80
FHLMC	751,509	7.16
FHLMC discount notes	109,995	1.05
FNMA	1,062,862	10.12
Repurchase agreement	2,210,000	21.05
STAR Ohio	50,913	0.48
Total	<u>\$ 10,501,098</u>	<u>100.00</u>

**F. 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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,279,738
Investments	10,501,098
Cash on hand	100
Cash with fiscal agents	5,157
Investment with fiscal agent	<u>220,414</u>
Total	<u>\$13,006,507</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$12,962,665
Agency fund	<u>43,842</u>
Total	<u>\$13,006,507</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	\$ 41,800

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

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

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

- B. Interfund balances at June 30, 2012 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 24,010

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.



**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$572,600 in the general fund, \$150,921 in the debt service fund and \$24,616 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$506,745 in the general fund, \$126,702 in the debt service fund and \$22,793 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 254,638,260	95.92	\$ 252,957,500	95.72
Public utility personal	<u>10,818,110</u>	<u>4.08</u>	<u>11,305,270</u>	<u>4.28</u>
Total	<u>\$ 265,456,370</u>	<u>100.00</u>	<u>\$ 264,262,770</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.83		\$ 50.10	

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 7,101,938
Accounts	65,412
Intergovernmental	149,818
Accrued interest	<u>6,149</u>
 Total receivables	 <u>\$ 7,323,317</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 521,816	\$ -	\$ -	\$ 521,816
Construction in progress	<u>695,396</u>	<u>6,292,686</u>	<u>-</u>	<u>6,988,082</u>
Total capital assets, not being depreciated	<u>1,217,212</u>	<u>6,292,686</u>	<u>-</u>	<u>7,509,898</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,535,852	106,527	-	3,642,379
Buildings and improvements	20,056,216	56,139	-	20,112,355
Furniture and equipment	946,693	6,093	-	952,786
Vehicles	<u>1,191,315</u>	<u>75,927</u>	<u>-</u>	<u>1,267,242</u>
Total capital assets, being depreciated	<u>25,730,076</u>	<u>244,686</u>	<u>-</u>	<u>25,974,762</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(831,752)	(164,948)	-	(996,700)
Buildings and improvements	(5,763,431)	(556,444)	-	(6,319,875)
Furniture and equipment	(312,127)	(119,833)	-	(431,960)
Vehicles	<u>(860,315)</u>	<u>(67,208)</u>	<u>-</u>	<u>(927,523)</u>
Total accumulated depreciation	<u>(7,767,625)</u>	<u>(908,433)</u>	<u>-</u>	<u>(8,676,058)</u>
Governmental activities capital assets, net	<u>\$ 19,179,663</u>	<u>\$ 5,628,939</u>	<u>\$ -</u>	<u>\$ 24,808,602</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 704,935
Support services:	
Instructional staff	3,350
Administration	19,001
Fiscal	2,664
Operations and maintenance	28,871
Pupil transportation	64,814
Central	5,999
Extracurricular activities	73,284
Food service operations	<u>5,515</u>
Total depreciation expense	<u><u>\$ 908,433</u></u>

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

During a prior fiscal year, the District entered into a lease-purchase agreement with Columbus Regional Airport Authority. The lease meets the criteria of a lease-purchase as defined by generally accepted accounting principles, which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease was used to fund the District's capital improvement project, which was the construction of a new track. Capital assets acquired by the lease purchase have been capitalized in the amount of \$890,000. Lease-purchase payments have been reflected as debt service expenditures in the permanent improvement fund (a nonmajor governmental fund). Principal payments on the lease-purchase totaled \$48,000 during fiscal year 2012.

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, 2012:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Total</u>
2013	\$ 81,155
2014	80,970
2015	80,698
2016	80,341
2017	80,877
2018 - 2022	398,826
2023 - 2024	<u>157,535</u>
Total minimum lease payments	960,402
Less: amount representing interest	<u>(208,402)</u>
Present value of minimum lease payments	<u><u>\$ 752,000</u></u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$372,368. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 for this equipment was \$111,711, leaving a current book value of \$260,657. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$65,397 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2013	\$ 90,240
2014	90,240
2015	90,240
2016	<u>45,120</u>
Total minimum lease payments	315,840
Less amount representing interest	<u>(41,156)</u>
Total	<u>\$ 274,684</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds - series 2004					
Current interest bonds	\$ 13,210,000	\$ -	\$ (8,700,000)	\$ 4,510,000	\$ 170,000
Capital appreciation bonds	275,000	-	-	275,000	-
Accreted interest	131,361	-	(131,361)	-	-
General obligation bonds - series 2010					
Current interest bonds	11,100,000	-	-	11,100,000	-
Capital appreciation bonds	399,987	-	-	399,987	-
Accreted interest	15,301	35,230	-	50,531	-
Refunding bonds - series 2012					
Current interest bonds	-	8,460,000	-	8,460,000	35,000
Capital appreciation bonds	-	94,726	-	94,726	-
Total general obligation bonds	<u>25,131,649</u>	<u>8,589,956</u>	<u>(8,831,361)</u>	<u>24,890,244</u>	<u>205,000</u>
Lease-purchase agreement	800,000	-	(48,000)	752,000	50,000
Capital lease obligation	340,081	-	(65,397)	274,684	70,825
PARS retirement incentive	50,000	-	(50,000)	-	-
Retirement incentive	38,156	20,630	(48,113)	10,673	10,673
Compensated absences	769,424	140,348	(172,200)	737,572	102,205
Total governmental activities long-term liabilities	<u>\$ 27,129,310</u>	<u>\$ 8,750,934</u>	<u>\$ (9,215,071)</u>	<u>26,665,173</u>	<u>\$ 438,703</u>
Unamortized bond premiums				1,146,306	
Unamortized deferred charges on refunding				<u>(810,327)</u>	
Total on statement of net assets				<u>\$ 27,001,152</u>	

Series 2004 School Improvement General Obligation Bonds

During fiscal year 2004, the District issued \$17,500,000 in general obligation bonds. The issue was comprised of both current interest bonds, par value \$17,225,000, and capital appreciation bonds par value \$275,000. The proceeds of these bonds were used to provide long-term financing of the District's capital improvements for school facilities. During fiscal year 2012, a portion of the series 2004 general obligation bonds was refunded in the amount of \$8,555,000. As part of the refunding, the District is no longer liable for the accreted value at maturity on the series 2004 capital appreciation bonds, which will now mature at par value on December 1, 2013 and December 1, 2014 in the amounts of \$135,000 and \$140,000, respectively. The remaining balance of series 2004 current interest bonds matures on December 1, 2030, with interest rates ranging from 4.00%-5.00%. Principal and interest payments are made from the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2010 School Improvement General Obligation Bonds

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

The issue is comprised of both current interest bonds, par value \$11,100,000, and capital appreciation bonds par value \$399,987. The interest rates on the current interest bonds range from 6.75%-7.20%. The capital appreciation bonds mature on December 1, 2029 (stated interest rate 5.93%), December 1, 2030 (stated interest rate 6.01%), December 1, 2031 (stated interest rate 6.09%), December 1, 2032 (stated interest rate 6.17%) and December 1, 2033 (stated interest rate 6.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,190,000. Total accreted interest of \$50,531 for series 2010 has been included on the statement of net assets at June 30, 2012.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2040. At June 30, 2012, the District had \$4,511,905 of unspent bond proceeds remaining on the bond issue.

Series 2012 Refunding General Obligation Bonds

On June 6, 2012, the District issued general obligation bonds (series 2012 refunding bonds) to advance refund the callable portion of the series 2004 general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded series 2004 current interest bonds at June 30, 2012, is \$8,555,000.

The refunding issue is comprised of both current interest bonds, par value \$8,460,000, and capital appreciation bonds par value \$94,726. The interest rates on the current interest bonds range from 2.00%-4.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest rate 25.60%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2019 is \$575,000. There is no accreted interest included on the statement of net assets at June 30, 2012. Principal and interest payments are made from the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2028.

The reacquisition price exceeded the net carrying amount of the old debt by \$814,440. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is less than the remaining life of the refunded debt. This advance refunding was undertaken to reduce the combined total debt service payments over the next 16.5 years by \$1,565,618 and resulted in an economic gain of \$1,274,064.

Lease-Purchase Agreement

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

Capital Lease Obligation

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

PARS Retirement Incentive

During fiscal year 2007, the Board of Education adopted the PARS 403(b) Supplementary Retirement Plan (the "Plan") for those employees that met the plan's eligibility requirements, as stated in the Plan. Each person who met these eligibility requirements was scheduled to receive \$50,000. Beginning July of the year of retirement, payment was set to be made in five equal installments into the eligible participant's 403(b) annuity contract held at Pacific Life Insurance Company. At June 30, 2012, the balance of the PARS retirement incentive liability had been retired.

Retirement Incentive

During fiscal year 2012, the District offered a retirement incentive for those certified employees who served five years with the District. The payment was calculated based on the retiring employee's unused sick leave and personal leave accumulated during the last year of employment. In addition to this retirement incentive, certified employees retiring with thirty years or less of service were also eligible for a cash payment of \$10,000 with an additional \$300 per year of service with the District. At June 30, 2012, the District's liability for this retirement incentive plan was \$10,673. The entire balance is recorded as retirement incentive payable in the general fund.

Compensated Absences

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

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

Fiscal Year	Current Interest - Series 2004			Capital Appreciation - Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 170,000	\$ 217,750	\$ 387,750	\$ -	\$ -	\$ -
2014	-	214,350	214,350	135,000	-	135,000
2015	-	214,350	214,350	140,000	-	140,000
2016	265,000	209,050	474,050	-	-	-
2017	340,000	195,250	535,250	-	-	-
2018 - 2022	800,000	774,750	1,574,750	-	-	-
2023 - 2027	-	733,750	733,750	-	-	-
2028 - 2031	2,935,000	442,875	3,377,875	-	-	-
Total	<u>\$ 4,510,000</u>	<u>\$ 3,002,125</u>	<u>\$ 7,512,125</u>	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ 770,573	\$ 770,573	\$ -	\$ -	\$ -
2014	-	770,572	770,572	-	-	-
2015	-	770,573	770,573	-	-	-
2016	-	770,572	770,572	-	-	-
2017	-	770,573	770,573	-	-	-
2018 - 2022	-	3,852,862	3,852,862	-	-	-
2023 - 2027	-	3,852,863	3,852,863	-	-	-
2028 - 2032	5,855,000	2,582,319	8,437,319	259,368	1,055,632	1,315,000
2033 - 2037	3,020,000	1,332,630	4,352,630	140,619	734,381	875,000
2038 - 2041	2,225,000	316,260	2,541,260	-	-	-
<b>Total</b>	<b>\$ 11,100,000</b>	<b>\$ 15,789,797</b>	<b>\$ 26,889,797</b>	<b>\$ 399,987</b>	<b>\$ 1,790,013</b>	<b>\$ 2,190,000</b>

Fiscal Year	Current Interest - Refunding Series 2012			Capital Appreciation - Refunding Series 2012		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 35,000	\$ 271,595	\$ 306,595	\$ -	\$ -	\$ -
2014	55,000	274,525	329,525	-	-	-
2015	60,000	273,375	333,375	-	-	-
2016	60,000	272,175	332,175	-	-	-
2017	60,000	270,975	330,975	-	-	-
2018 - 2022	1,370,000	1,293,025	2,663,025	94,726	480,274	575,000
2023 - 2027	4,465,000	721,262	5,186,262	-	-	-
2028 - 2029	2,355,000	72,825	2,427,825	-	-	-
<b>Total</b>	<b>\$ 8,460,000</b>	<b>\$ 3,449,757</b>	<b>\$ 11,909,757</b>	<b>\$ 94,726</b>	<b>\$ 480,274</b>	<b>\$ 575,000</b>

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

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



**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$257,136 (including available funds of \$1,313,200) and an unvoted debt margin of \$264,263.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the District contracted with Fitzgibbons, Arnold & Co. for insurance. General and professional liability has a \$2,000,000 aggregate limit for each. Automobile liability has a \$1,000,000 combined single limit of liability. Traveler's Surety & Insurance Co. of America maintains performance bonds of \$50,000 for the Superintendent and the Board President and a \$75,000 performance bond for the Treasurer.

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

**B. Employee Health and Dental**

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

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

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

For fiscal year 2012, the District participated in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP) (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$267,212, \$237,332 and \$245,976, respectively; 63.13 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://www.strsoh.org), under "Publications".

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$904,448, \$891,185 and \$855,326, respectively; 83.16 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,129 made by the District and \$9,378 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$40,445, \$57,049 and \$36,027, respectively; 63.13 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, 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, 2012, 2011, and 2010 were \$15,780, \$15,273 and \$14,628, respectively; 63.13 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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LORAIN COUNTY**

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$69,573, \$68,553 and \$65,794, respectively; 83.16 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (384,589)
Net adjustment for revenue accruals	78,253
Net adjustment for expenditure accruals	(208,276)
Net adjustment for other sources/uses	163,694
Funds budgeted elsewhere	(244,903)
Adjustment for encumbrances	298,187
GAAP basis	<u>\$ (297,634)</u>

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

**NOTE 16 - CONTINGENCIES**

**A. Litigation**

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

**B. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	288,083
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(269,081)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(19,002)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

During fiscal years 2004 and 2011, the District issued \$28,999,987 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$28,008,911 at June 30, 2012.

**NOTE 18 - OTHER COMMITMENTS**

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 222,455
Building	4,015,467
Nonmajor governmental	<u>45,709</u>
Total	<u>\$ 4,283,631</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As a result of the construction project that was in progress at June 30, 2012, the District had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Bay Mechanical & Electrical	\$ 2,467,847	\$ (1,230,641)	\$ 1,237,206
Breckenridge Kitchen Equipment	216,760	(80,932)	135,828
Bricker & Eckler, LLP.	7,000	(6,353)	647
CCG Automation, Inc.	312,359	-	312,359
Custom Fabricators, Inc.	202,000	(4,719)	197,281
FMD Architects, Inc.	89,597	-	89,597
G.E. Baker Construction, Inc.	174,190	(167,103)	7,087
Giambrone Masonry, Inc.	1,387,000	(896,704)	490,296
RFC Contracting, Inc.	3,368,568	(1,469,738)	1,898,830
S.A. Comunale Company, Inc.	157,000	(103,623)	53,377
Stan and Associates, Inc.	36,060	(11,430)	24,630
Suburban Process Piping, Inc.	539,565	(313,498)	226,067
The Cornice Co., Inc.	275,000	(127,438)	147,562
Timmerman Geotechnical Group	35,800	(2,816)	32,984
Village of Lagrange	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total Contractual Commitments	<u>\$ 9,275,746</u>	<u>\$ (4,414,995)</u>	<u>\$ 4,860,751</u>

**NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS**

- (1) On July 12, 2012, the Ohio School Facilities Commission (OSFC) approved the District for construction of Keystone Elementary School through the Classroom Facilities Assistance Program (CFAP). The total project budget includes a State share of \$21,293,978 and a local share of \$24,997,278. The District will receive a credit for expenditures made on the Expedited Local Partnership Program (ELPP) portion of the overall construction project, reducing the local share accordingly. The District established a resolution on August 20, 2012 to accept admittance into the CFAP.
- (2) On December 5, 2012, the District issued \$4,339,094 in Series 2013 General Obligation Refunding Bonds to refund the Series 2004 School Improvement General Obligation Bonds. The Refunding Bonds carry interest rates from 2.00 - 2.50% and have a final maturity of December 1, 2030.



COMBINING STATEMENTS  
AND INDIVIDUAL FUND SCHEDULES

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**MAJOR FUNDS**

**General Fund**

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

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

**Debt Service Fund**

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

**Building Fund**

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Debt Service</b>			
Total Revenues and Other Sources	\$ 10,947,399	\$ 10,947,399	\$ -
Total Expenditures and Other Uses	<u>10,629,619</u>	<u>10,629,619</u>	<u>-</u>
Net Change in Fund Balances	317,780	317,780	-
Fund Balance, July 1	<u>837,326</u>	<u>837,326</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 1,155,106</u></u>	<u><u>\$ 1,155,106</u></u>	<u><u>\$ -</u></u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Building</b>			
Total Revenues and Other Sources	\$ 38,036	\$ 37,158	\$ (878)
Total Expenditures and Other Uses	<u>10,317,530</u>	<u>10,317,593</u>	<u>(63)</u>
Net Change in Fund Balances	(10,279,494)	(10,280,435)	(941)
Fund Balance, July 1	10,814,142	10,814,142	-
Prior Year Encumbrances Appropriated	<u>7,816</u>	<u>7,816</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 542,464</u>	<u>\$ 541,523</u>	<u>\$ (941)</u>

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

**Nonmajor Special Revenue Funds**

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

**Food Services Fund**

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

**School Trusts Fund**

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

**Other Local Grants Fund**

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

**Student Activity Fund**

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

**Auxiliary Services Fund**

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

**Educational Management Information System (EMIS) Fund**

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

**Data Communication Fund**

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

**Education Jobs Fund**

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

**Race to the Top Fund**

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

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

**Nonmajor Special Revenue Funds (Continued)**

**Title VI-B Fund**

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

**Education Stabilization Fund**

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

**Stimulus Title II-D Fund**

To account for restricted federal grant monies used for technology.

**Title I Fund**

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

**Title II-A Fund**

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

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

**Nonmajor Capital Projects Funds**

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

**Permanent Improvement Fund**

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

**Other Capital Projects Fund**

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

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

**Uniform School Supplies Fund**

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

**Public School Support Fund**

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

**KeyCare Fund**

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

**Employee Benefits Fund**

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

**Termination Benefits Fund**

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 387,920	\$ 903,052	\$ 1,290,972
Receivables:			
Taxes . . . . .	-	238,917	238,917
Accounts. . . . .	2,762	-	2,762
Intergovernmental . . . . .	141,778	-	141,778
Materials and supplies inventory . . . . .	9,110	-	9,110
Total assets. . . . .	\$ 541,570	\$ 1,141,969	\$ 1,683,539
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 27,131	\$ -	\$ 27,131
Accrued wages and benefits . . . . .	100,246	-	100,246
Interfund loans payable. . . . .	24,010	-	24,010
Pension obligation payable. . . . .	18,233	-	18,233
Intergovernmental payable . . . . .	8,726	-	8,726
Deferred revenue. . . . .	28,765	22,111	50,876
Unearned revenue . . . . .	-	192,190	192,190
Total liabilities. . . . .	207,111	214,301	421,412
<b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	9,110	-	9,110
Restricted:			
Capital improvements . . . . .	-	920,276	920,276
Food service operations . . . . .	255,397	-	255,397
Non-public schools . . . . .	37,406	-	37,406
Special education . . . . .	13,536	-	13,536
Targeted academic assistance. . . . .	460	-	460
Extracurricular activities . . . . .	2,284	-	2,284
Other purposes. . . . .	34,910	-	34,910
Committed:			
Capital improvements . . . . .	-	7,392	7,392
Unassigned (deficit). . . . .	(18,644)	-	(18,644)
Total fund balances . . . . .	334,459	927,668	1,262,127
Total liabilities and fund balances. . . . .	\$ 541,570	\$ 1,141,969	\$ 1,683,539



**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ -	\$ 225,905	\$ 225,905
Charges for services . . . . .	338,393	-	338,393
Earnings on investments . . . . .	575	-	575
Extracurricular . . . . .	82,359	-	82,359
Contributions and donations . . . . .	11,677	17,392	29,069
Other local revenues . . . . .	6,140	-	6,140
Intergovernmental - intermediate . . . . .	40,007	-	40,007
Intergovernmental - state . . . . .	85,938	44,999	130,937
Intergovernmental - federal . . . . .	1,216,402	-	1,216,402
Total revenues . . . . .	<u>1,781,491</u>	<u>288,296</u>	<u>2,069,787</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	398,432	30,103	428,535
Special . . . . .	374,580	-	374,580
Other . . . . .	22,346	-	22,346
Support services:			
Pupil . . . . .	118,472	-	118,472
Instructional staff . . . . .	118,631	-	118,631
Administration . . . . .	12,990	-	12,990
Fiscal . . . . .	2,741	4,296	7,037
Operations and maintenance . . . . .	-	26,492	26,492
Pupil transportation . . . . .	-	75,927	75,927
Central . . . . .	66,695	2,862	69,557
Operation of non-instructional services:			
Food service operations . . . . .	541,275	-	541,275
Other non-instructional services . . . . .	57,074	-	57,074
Extracurricular activities . . . . .	145,228	-	145,228
Facilities acquisition and construction . . . . .	-	210,957	210,957
Debt service:			
Principal retirement . . . . .	-	48,000	48,000
Interest and fiscal charges . . . . .	-	34,807	34,807
Total expenditures . . . . .	<u>1,858,464</u>	<u>433,444</u>	<u>2,291,908</u>
Excess of expenditures over revenues . . . . .	<u>(76,973)</u>	<u>(145,148)</u>	<u>(222,121)</u>
<b>Other financing sources:</b>			
Transfers in . . . . .	41,800	-	41,800
Total other financing sources . . . . .	<u>41,800</u>	<u>-</u>	<u>41,800</u>
Net change in fund balances . . . . .	(35,173)	(145,148)	(180,321)
<b>Fund balances, July 1 . . . . .</b>	<u>369,632</u>	<u>1,072,816</u>	<u>1,442,448</u>
<b>Fund balances, June 30 . . . . .</b>	<u>\$ 334,459</u>	<u>\$ 927,668</u>	<u>\$ 1,262,127</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2012

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Student Activity</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 293,257	\$ 5,275	\$ 30,109	\$ 710
Receivables:				
Accounts . . . . .	-	-	-	2,762
Intergovernmental . . . . .	-	-	-	-
Materials and supplies inventory . . . . .	9,110	-	-	-
Total assets. . . . .	<u>\$ 302,367</u>	<u>\$ 5,275</u>	<u>\$ 30,109</u>	<u>\$ 3,472</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 142	\$ -	\$ 7,383	\$ 1,188
Accrued wages and benefits . . . . .	21,929	-	-	-
Interfund loans payable. . . . .	-	-	-	-
Pension obligation payable. . . . .	14,949	-	-	-
Intergovernmental payable . . . . .	840	-	355	-
Deferred revenue. . . . .	-	-	-	-
Total liabilities. . . . .	<u>37,860</u>	<u>-</u>	<u>7,738</u>	<u>1,188</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	9,110	-	-	-
Restricted:				
Food service operations . . . . .	255,397	-	-	-
Non-public schools . . . . .	-	-	-	-
Special education . . . . .	-	-	-	-
Targeted academic assistance. . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	2,284
Other purposes. . . . .	-	5,275	22,371	-
Unassigned (deficit). . . . .	-	-	-	-
Total fund balances (deficit). . . . .	<u>264,507</u>	<u>5,275</u>	<u>22,371</u>	<u>2,284</u>
Total liabilities and fund balances. . . . .	<u>\$ 302,367</u>	<u>\$ 5,275</u>	<u>\$ 30,109</u>	<u>\$ 3,472</u>

<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>	<u>Education Jobs</u>	<u>Race to the Top</u>
\$ 40,236	\$ 2,835	\$ 2,400	\$ 5,826	\$ 6,858
-	-	-	-	-
-	-	-	48,272	-
-	-	-	-	-
<u>\$ 40,236</u>	<u>\$ 2,835</u>	<u>\$ 2,400</u>	<u>\$ 54,098</u>	<u>\$ 6,858</u>
\$ 2,650	\$ -	\$ -	\$ -	\$ -
-	-	-	59,175	-
-	-	-	-	-
163	-	-	-	-
17	81	-	1,950	4,748
-	-	-	-	-
<u>2,830</u>	<u>81</u>	<u>-</u>	<u>61,125</u>	<u>4,748</u>
-	-	-	-	-
-	-	-	-	-
37,406	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,754	2,400	-	2,110
-	-	-	(7,027)	-
<u>37,406</u>	<u>2,754</u>	<u>2,400</u>	<u>(7,027)</u>	<u>2,110</u>
<u>\$ 40,236</u>	<u>\$ 2,835</u>	<u>\$ 2,400</u>	<u>\$ 54,098</u>	<u>\$ 6,858</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2012

	<u>Title VI-B</u>	<u>Title I</u>	<u>Title II-A</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 384	\$ 25	\$ 5	\$ 387,920
Receivables:				
Accounts . . . . .	-	-	-	2,762
Intergovernmental . . . . .	32,532	54,765	6,209	141,778
Materials and supplies inventory . . . . .	-	-	-	9,110
Total assets . . . . .	<u>\$ 32,916</u>	<u>\$ 54,790</u>	<u>\$ 6,214</u>	<u>\$ 541,570</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 2,380	\$ 13,388	\$ -	\$ 27,131
Accrued wages and benefits . . . . .	-	19,142	-	100,246
Interfund loans payable . . . . .	17,000	1,400	5,610	24,010
Pension obligation payable . . . . .	-	3,121	-	18,233
Intergovernmental payable . . . . .	-	591	144	8,726
Deferred revenue . . . . .	-	28,765	-	28,765
Total liabilities . . . . .	<u>19,380</u>	<u>66,407</u>	<u>5,754</u>	<u>207,111</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	-	-	-	9,110
Restricted:				
Food service operations . . . . .	-	-	-	255,397
Non-public schools . . . . .	-	-	-	37,406
Special education . . . . .	13,536	-	-	13,536
Targeted academic assistance . . . . .	-	-	460	460
Extracurricular activities . . . . .	-	-	-	2,284
Other purposes . . . . .	-	-	-	34,910
Unassigned (deficit) . . . . .	-	(11,617)	-	(18,644)
Total fund balances (deficit) . . . . .	<u>13,536</u>	<u>(11,617)</u>	<u>460</u>	<u>334,459</u>
Total liabilities and fund balances . . . . .	<u>\$ 32,916</u>	<u>\$ 54,790</u>	<u>\$ 6,214</u>	<u>\$ 541,570</u>

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**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Student Activity</u>
<b>Revenues:</b>				
From local sources:				
Charges for services . . . . .	\$ 338,393	\$ -	\$ -	\$ -
Earnings on investments . . . . .	520	-	-	-
Extracurricular . . . . .	-	-	-	82,359
Contributions and donations . . . . .	-	3,000	4,600	4,077
Other local revenues . . . . .	4,140	-	-	2,000
Intergovernmental - intermediate . . . . .	-	-	40,007	-
Intergovernmental - state . . . . .	4,025	-	-	-
Intergovernmental - federal . . . . .	235,487	-	-	-
Total revenues . . . . .	<u>582,565</u>	<u>3,000</u>	<u>44,607</u>	<u>88,436</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	-	1,750	10,516	870
Special . . . . .	-	-	-	-
Other . . . . .	-	-	-	-
Support services:				
Pupil . . . . .	-	-	13,074	-
Instructional staff . . . . .	-	-	-	-
Administration . . . . .	-	-	-	-
Fiscal . . . . .	-	-	2,741	-
Central . . . . .	-	-	-	-
Operation of non-instructional services:				
Food service operations . . . . .	541,275	-	-	-
Other non-instructional services . . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	145,228
Total expenditures . . . . .	<u>541,275</u>	<u>1,750</u>	<u>26,331</u>	<u>146,098</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>41,290</u>	<u>1,250</u>	<u>18,276</u>	<u>(57,662)</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	-	-	41,800
Total other financing sources . . . . .	-	-	-	41,800
Net change in fund balances . . . . .	41,290	1,250	18,276	(15,862)
<b>Fund balances (deficit), July 1 . . . . .</b>	<u>223,217</u>	<u>4,025</u>	<u>4,095</u>	<u>18,146</u>
<b>Fund balances (deficit), June 30 . . . . .</b>	<u>\$ 264,507</u>	<u>\$ 5,275</u>	<u>\$ 22,371</u>	<u>\$ 2,284</u>

<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>	<u>Education Jobs</u>	<u>Race to the Top</u>
\$ -	\$ -	\$ -	\$ -	\$ -
55	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
76,513	-	5,400	-	-
-	-	-	377,906	20,000
<u>76,568</u>	<u>-</u>	<u>5,400</u>	<u>377,906</u>	<u>20,000</u>
-	-	-	384,933	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	42,890
-	-	-	-	-
-	31,622	3,825	-	-
-	-	-	-	-
57,074	-	-	-	-
-	-	-	-	-
<u>57,074</u>	<u>31,622</u>	<u>3,825</u>	<u>384,933</u>	<u>42,890</u>
<u>19,494</u>	<u>(31,622)</u>	<u>1,575</u>	<u>(7,027)</u>	<u>(22,890)</u>
-	-	-	-	-
-	-	-	-	-
19,494	(31,622)	1,575	(7,027)	(22,890)
17,912	34,376	825	-	25,000
<u>\$ 37,406</u>	<u>\$ 2,754</u>	<u>\$ 2,400</u>	<u>\$ (7,027)</u>	<u>\$ 2,110</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Title VI-B</u>	<u>Education Stabilization</u>	<u>Stimulus Title II-D</u>	<u>Title I</u>
<b>Revenues:</b>				
From local sources:				
Charges for services . . . . .	\$ -	\$ -	\$ -	\$ -
Earnings on investments . . . . .	-	-	-	-
Extracurricular . . . . .	-	-	-	-
Contributions and donations . . . . .	-	-	-	-
Other local revenues . . . . .	-	-	-	-
Intergovernmental - intermediate . . . . .	-	-	-	-
Intergovernmental - state . . . . .	-	-	-	-
Intergovernmental - federal . . . . .	343,128	-	1,479	183,239
Total revenues . . . . .	<u>343,128</u>	<u>-</u>	<u>1,479</u>	<u>183,239</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	-	-	-	363
Special . . . . .	207,081	-	-	167,499
Other . . . . .	-	-	-	22,346
Support services:				
Pupil . . . . .	105,398	-	-	-
Instructional staff . . . . .	-	-	2,782	16,419
Administration . . . . .	12,990	-	-	-
Fiscal . . . . .	-	-	-	-
Central . . . . .	-	31,248	-	-
Operation of non-instructional services:				
Food service operations . . . . .	-	-	-	-
Other non-instructional services . . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	-
Total expenditures . . . . .	<u>325,469</u>	<u>31,248</u>	<u>2,782</u>	<u>206,627</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>17,659</u>	<u>(31,248)</u>	<u>(1,303)</u>	<u>(23,388)</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	-	-	-
Total other financing sources . . . . .	-	-	-	-
Net change in fund balances . . . . .	17,659	(31,248)	(1,303)	(23,388)
<b>Fund balances (deficit), July 1 . . . . .</b>	<u>(4,123)</u>	<u>31,248</u>	<u>1,303</u>	<u>11,771</u>
<b>Fund balances (deficit), June 30 . . . . .</b>	<u>\$ 13,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,617)</u>



<u>Title II-A</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 338,393
-	575
-	82,359
-	11,677
-	6,140
-	40,007
-	85,938
<u>55,163</u>	<u>1,216,402</u>
<u>55,163</u>	<u>1,781,491</u>
-	398,432
-	374,580
-	22,346
-	118,472
56,540	118,631
-	12,990
-	2,741
-	66,695
-	541,275
-	57,074
-	145,228
<u>56,540</u>	<u>1,858,464</u>
<u>(1,377)</u>	<u>(76,973)</u>
-	41,800
-	41,800
(1,377)	(35,173)
<u>1,837</u>	<u>369,632</u>
<u>\$ 460</u>	<u>\$ 334,459</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Food Services</b>			
Total Revenues and Other Sources	\$ 565,912	\$ 565,899	\$ (13)
Total Expenditures and Other Uses	<u>517,644</u>	<u>517,644</u>	<u>-</u>
Net Change in Fund Balances	48,268	48,255	(13)
Fund Balance, July 1	238,761	238,761	-
Prior Year Encumbrances Appropriated	<u>5,491</u>	<u>5,491</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 292,520</u></u>	<u><u>\$ 292,507</u></u>	<u><u>\$ (13)</u></u>
<b>School Trusts</b>			
Total Revenues and Other Sources	\$ 3,250	\$ 3,250	\$ -
Total Expenditures and Other Uses	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Net Change in Fund Balances	1,250	1,250	-
Fund Balance, July 1	<u>4,025</u>	<u>4,025</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 5,275</u></u>	<u><u>\$ 5,275</u></u>	<u><u>\$ -</u></u>
<b>Other Local Grants</b>			
Total Revenues and Other Sources	\$ 44,607	\$ 44,607	\$ -
Total Expenditures and Other Uses	<u>27,485</u>	<u>27,484</u>	<u>1</u>
Net Change in Fund Balances	17,122	17,123	1
Fund Balance, July 1	<u>4,095</u>	<u>4,095</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 21,217</u></u>	<u><u>\$ 21,218</u></u>	<u><u>\$ 1</u></u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Student Activity</b>			
Total Revenues and Other Sources	\$ 130,236	\$ 130,236	\$ -
Total Expenditures and Other Uses	<u>150,268</u>	<u>151,168</u>	<u>(900)</u>
Net Change in Fund Balances	(20,032)	(20,932)	(900)
Fund Balance, July 1	14,384	14,384	-
Prior Year Encumbrances Appropriated	<u>5,816</u>	<u>5,816</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 168</u>	<u>\$ (732)</u>	<u>\$ (900)</u>
<b>Auxiliary Services</b>			
Total Revenues and Other Sources	\$ 76,617	\$ 76,568	\$ (49)
Total Expenditures and Other Uses	<u>66,212</u>	<u>66,212</u>	<u>-</u>
Net Change in Fund Balances	10,405	10,356	(49)
Fund Balance, July 1	2,409	2,409	-
Prior Year Encumbrances Appropriated	<u>27,471</u>	<u>27,471</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 40,285</u>	<u>\$ 40,236</u>	<u>\$ (49)</u>
<b>EMIS</b>			
Total Expenditures and Other Uses	\$ 31,541	\$ 33,571	\$ (2,030)
Net Change in Fund Balances	(31,541)	(33,571)	(2,030)
Fund Balance, July 1	<u>34,376</u>	<u>34,376</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2,835</u>	<u>\$ 805</u>	<u>\$ (2,030)</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Data Communication</b>			
Total Revenues and Other Sources	\$ 5,400	\$ 5,400	\$ -
Total Expenditures and Other Uses	<u>6,225</u>	<u>3,825</u>	<u>2,400</u>
Net Change in Fund Balances	(825)	1,575	2,400
Fund Balance, July 1	<u>825</u>	<u>825</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 2,400</u>
<b>Education Jobs</b>			
Total Revenues and Other Sources	\$ 377,906	\$ 329,634	\$ (48,272)
Total Expenditures and Other Uses	<u>323,808</u>	<u>323,808</u>	<u>-</u>
Net Change in Fund Balances	54,098	5,826	(48,272)
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 54,098</u>	<u>\$ 5,826</u>	<u>\$ (48,272)</u>
<b>Race to the Top</b>			
Total Revenues and Other Sources	\$ 68,750	\$ 45,000	\$ (23,750)
Total Expenditures and Other Uses	<u>68,750</u>	<u>46,556</u>	<u>22,194</u>
Net Change in Fund Balances	-	(1,556)	(1,556)
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ -</u>	<u>\$ (1,556)</u>	<u>\$ (1,556)</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Title VI-B</b>			
Total Revenues and Other Sources	\$ 360,127	\$ 327,596	\$ (32,531)
Total Expenditures and Other Uses	<u>343,820</u>	<u>343,819</u>	<u>1</u>
Net Change in Fund Balances	16,307	(16,223)	(32,530)
Fund Balance, July 1	-	-	-
Prior Year Encumbrances Appropriated	<u>99</u>	<u>99</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 16,406</u>	<u>\$ (16,124)</u>	<u>\$ (32,530)</u>
<b>Education Stabilization</b>			
Total Expenditures and Other Uses	<u>\$ 31,248</u>	<u>\$ 31,248</u>	<u>\$ -</u>
Net Change in Fund Balances	(31,248)	(31,248)	-
Fund Balance, July 1	-	-	-
Prior Year Encumbrances Appropriated	<u>31,248</u>	<u>31,248</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Stimulus Title II-D</b>			
Total Revenues and Other Sources	\$ 1,479	\$ 1,479	\$ -
Total Expenditures and Other Uses	<u>2,782</u>	<u>2,782</u>	<u>-</u>
Net Change in Fund Balances	(1,303)	(1,303)	-
Fund Balance (Deficit), July 1	(1)	(1)	-
Prior Year Encumbrances Appropriated	<u>1,304</u>	<u>1,304</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Title I</b>			
Total Revenues and Other Sources	\$ 293,746	\$ 180,727	\$ (113,019)
Total Expenditures and Other Uses	<u>301,247</u>	<u>211,473</u>	<u>89,774</u>
Net Change in Fund Balances	(7,501)	(30,746)	(23,245)
Fund Balance, July 1	<u>13,544</u>	<u>13,544</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 6,043</u>	<u>\$ (17,202)</u>	<u>\$ (23,245)</u>
<b>Title II-A</b>			
Total Revenues and Other Sources	\$ 61,935	\$ 54,564	\$ (7,371)
Total Expenditures and Other Uses	<u>58,162</u>	<u>56,396</u>	<u>1,766</u>
Net Change in Fund Balances	3,773	(1,832)	(5,605)
Fund Balance, July 1	429	429	-
Prior Year Encumbrances Appropriated	<u>1,408</u>	<u>1,408</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 5,610</u>	<u>\$ 5</u>	<u>\$ (5,605)</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Uniform School Supplies</b>			
Total Revenues and Other Sources	\$ 9,172	\$ 9,172	\$ -
Total Expenditures and Other Uses	<u>5,226</u>	<u>5,226</u>	<u>-</u>
Net Change in Fund Balances	3,946	3,946	-
Fund Balance, July 1	13,690	13,690	-
Prior Year Encumbrances Appropriated	<u>126</u>	<u>126</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 17,762</u>	<u>\$ 17,762</u>	<u>\$ -</u>
<b>Public School Support</b>			
Total Revenues and Other Sources	\$ 78,339	\$ 78,339	\$ -
Total Expenditures and Other Uses	<u>71,898</u>	<u>72,098</u>	<u>(200)</u>
Net Change in Fund Balances	6,441	6,241	(200)
Fund Balance, July 1	27,286	27,286	-
Prior Year Encumbrances Appropriated	<u>265</u>	<u>265</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 33,992</u>	<u>\$ 33,792</u>	<u>\$ (200)</u>
<b>KeyCare</b>			
Total Revenues and Other Sources	\$ 66,451	\$ 66,420	\$ (31)
Total Expenditures and Other Uses	<u>56,940</u>	<u>56,940</u>	<u>-</u>
Net Change in Fund Balances	9,511	9,480	(31)
Fund Balance, July 1	<u>33,787</u>	<u>33,787</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 43,298</u>	<u>\$ 43,267</u>	<u>\$ (31)</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS,  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Employee Benefits</b>			
Total Revenues and Other Sources	\$ 39,832	\$ 39,832	\$ -
Total Expenditures and Other Uses	<u>419,033</u>	<u>419,033</u>	<u>-</u>
Net Change in Fund Balances	(379,201)	(379,201)	-
Fund Balance, July 1	<u>782,129</u>	<u>782,129</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 402,928</u>	<u>\$ 402,928</u>	<u>\$ -</u>
<b>Termination Benefits</b>			
Total Revenues and Other Sources	\$ 170,150	\$ 170,150	\$ -
Total Expenditures and Other Uses	<u>175,828</u>	<u>175,828</u>	<u>-</u>
Net Change in Fund Balances	(5,678)	(5,678)	-
Fund Balance, July 1	<u>5,738</u>	<u>5,738</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ -</u>



**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2012

	<b>Permanent Improvement</b>	<b>Other Capital Projects</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 895,660	\$ 7,392	\$ 903,052
Receivables:			
Taxes. . . . .	238,917	-	238,917
Total assets. . . . .	\$ 1,134,577	\$ 7,392	\$ 1,141,969
<b>Liabilities:</b>			
Deferred revenue. . . . .	\$ 22,111	\$ -	\$ 22,111
Unearned revenue . . . . .	192,190	-	192,190
Total liabilities. . . . .	214,301	-	214,301
<b>Fund Balances:</b>			
Restricted:			
Capital improvements . . . . .	920,276	-	920,276
Committed:			
Capital improvements . . . . .	-	7,392	7,392
Total fund balances . . . . .	920,276	7,392	927,668
Total liabilities and fund balances. . . . .	\$ 1,134,577	\$ 7,392	\$ 1,141,969

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Permanent Improvement</u>	<u>Other Capital Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 225,905	\$ -	\$ 225,905
Contributions and donations . . . . .	15,000	2,392	17,392
Intergovernmental - state . . . . .	44,999	-	44,999
	<u>285,904</u>	<u>2,392</u>	<u>288,296</u>
Total revenues . . . . .			
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	30,103	-	30,103
Support services:			
Fiscal . . . . .	4,296	-	4,296
Operations and maintenance . . . . .	26,492	-	26,492
Pupil transportation . . . . .	75,927	-	75,927
Central . . . . .	2,862	-	2,862
Facilities acquisition and construction . . . . .	210,957	-	210,957
Debt service:			
Principal retirement . . . . .	48,000	-	48,000
Interest and fiscal charges . . . . .	34,807	-	34,807
	<u>433,444</u>	<u>-</u>	<u>433,444</u>
Total expenditures . . . . .			
Net change in fund balances . . . . .	(147,540)	2,392	(145,148)
<b>Fund balances, July 1 . . . . .</b>	<u>1,067,816</u>	<u>5,000</u>	<u>1,072,816</u>
<b>Fund balances, June 30 . . . . .</b>	<u>\$ 920,276</u>	<u>\$ 7,392</u>	<u>\$ 927,668</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Permanent Improvement</b>			
Total Revenues and Other Sources	\$ 284,081	\$ 284,081	\$ -
Total Expenditures and Other Uses	453,445	453,445	-
Net Change in Fund Balances	(169,364)	(169,364)	-
Fund Balance, July 1	1,029,930	1,029,930	-
Prior Year Encumbrances Appropriated	15,093	15,093	-
Fund Balance, June 30	<u>\$ 875,659</u>	<u>\$ 875,659</u>	<u>\$ -</u>
<b>Other Capital Projects</b>			
Total Revenues and Other Sources	\$ 2,392	\$ 2,392	\$ -
Net Change in Fund Balances	2,392	2,392	-
Fund Balance, July 1	5,000	5,000	-
Fund Balance, June 30	<u>\$ 7,392</u>	<u>\$ 7,392</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**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Beginning Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2012</b>
<b>Student Activity</b>				
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 43,098	\$ 57,384	\$ 56,640	\$ 43,842
Total assets . . . . .	<u>\$ 43,098</u>	<u>\$ 57,384</u>	<u>\$ 56,640</u>	<u>\$ 43,842</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 313	\$ 3,725	\$ 313	\$ 3,725
Due to students . . . . .	<u>42,785</u>	<u>53,659</u>	<u>56,327</u>	<u>40,117</u>
Total liabilities. . . . .	<u>\$ 43,098</u>	<u>\$ 57,384</u>	<u>\$ 56,640</u>	<u>\$ 43,842</u>

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## STATISTICAL SECTION

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**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	<b>93-106</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	<b>107-112</b>
<b>Debt Capacity</b> 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.	<b>113-116</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	<b>117-118</b>
<b>Operating Information</b> 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.	<b>119-125</b>

**Sources:** Sources are noted on the individual schedules.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 3,452,926	\$ 3,636,413	\$ 3,748,240	\$ 3,597,575
Restricted	2,671,345	2,733,109	2,547,989	2,640,004
Unrestricted	3,883,911	3,955,975	3,731,747	4,012,688
Total governmental activities net assets	<u>\$ 10,008,182</u>	<u>\$ 10,325,497</u>	<u>\$ 10,027,976</u>	<u>\$ 10,250,267</u>

**Source:** School District financial records.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 4,160,612	\$ 3,949,750	\$ 7,120,595	\$ 6,916,902	\$ 5,688,510	\$ 4,758,495
2,455,662	2,225,265	3,421,604	1,915,127	2,054,608	1,396,713
4,690,946	3,398,899	5,796	400,908	456,618	2,098,893
<u>\$ 11,307,220</u>	<u>\$ 9,573,914</u>	<u>\$ 10,547,995</u>	<u>\$ 9,232,937</u>	<u>\$ 8,199,736</u>	<u>\$ 8,254,101</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Expenses</b>				
Governmental activities:				
Instruction:				
Regular	\$ 7,812,891	\$ 7,886,625	\$ 7,587,064	\$ 7,571,878
Special	1,752,181	1,705,354	1,626,780	1,416,017
Vocational	106,481	102,822	101,087	102,875
Other	100,517	91,730	114,886	89,080
Support services:				
Pupil	1,018,365	1,005,556	886,994	810,521
Instructional staff	507,328	473,860	532,728	443,050
Board of education	51,535	32,725	34,668	42,208
Administration	1,170,114	1,216,788	1,238,876	1,139,342
Fiscal	497,950	448,063	428,194	414,440
Operations and maintenance	1,273,567	1,173,432	1,326,992	1,436,266
Pupil transportation	963,081	887,051	958,546	901,853
Central	478,171	373,804	374,039	465,653
Operation of non-instructional services:				
Food service operations	542,523	504,207	485,656	483,727
Latchkey operations	54,577	49,485	55,778	59,162
Other non-instructional services	62,265	86,977	111,471	80,774
Extracurricular activities	522,179	454,751	463,680	368,793
Interest and fiscal charges	1,371,695	1,142,919	753,411	772,798
Total governmental activities expenses	<u>18,285,420</u>	<u>17,636,149</u>	<u>17,080,850</u>	<u>16,598,437</u>

**Source:** School District financial records.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	7,727,254	\$ 6,588,597	\$ 6,704,413	\$ 6,672,376	\$ 6,660,466	\$ 6,309,447
	1,242,249	1,233,663	1,161,680	1,149,365	984,184	931,240
	104,101	97,379	180,125	191,049	187,970	171,846
	75,094	67,102	111,245	-	-	-
	858,666	771,574	868,064	1,003,630	1,035,370	957,635
	468,744	478,054	348,743	500,452	404,004	336,881
	40,185	33,019	35,244	38,728	27,473	32,385
	1,162,659	1,009,418	1,175,011	1,210,985	1,194,766	1,138,460
	408,441	362,847	392,992	353,995	357,675	311,966
	1,186,268	1,333,631	1,122,995	1,117,247	1,100,974	1,023,388
	870,189	851,300	986,260	813,566	809,574	877,702
	238,823	219,552	120,958	160,288	158,698	135,321
	439,113	425,493	463,918	442,368	436,982	422,276
	55,825	45,876	51,215	46,376	41,780	37,131
	127,319	83,740	63,469	72,164	-	-
	375,208	328,720	324,673	379,314	364,404	311,879
	760,496	793,879	759,783	608,716	-	5,175
	<u>16,140,634</u>	<u>14,723,844</u>	<u>14,870,788</u>	<u>14,760,619</u>	<u>13,764,320</u>	<u>13,002,732</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

<b>Program Revenues</b>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities:				
Charges for services:				
Instruction:				
Regular	\$ 932,268	\$ 671,489	\$ 525,405	\$ 494,562
Special	72,099	3,072	3,305	-
Vocational	-	-	-	-
Other	-	-	-	-
Support services:				
Pupil	16,096	8,032	22,915	30,376
Instructional staff	647	147	274	777
Operations and maintenance	7,817	5,826	6,269	8,238
Central	-	-	-	104
Operation of non-instructional services:				
Food service operations	342,533	350,391	353,457	381,544
Latchkey operations	66,420	49,896	47,652	53,391
Extracurricular activities	83,892	82,936	68,147	75,971
Operating grants and contributions:				
Instruction:				
Regular	31,040	460,915	46,816	38,437
Special	602,357	821,977	417,214	632,930
Vocational	12,863	12,863	12,767	13,128
Other	19,839	17,130	34,579	-
Support services:				
Pupil	133,264	147,577	148,962	123,445
Instructional staff	91,219	144,152	84,735	64,803
Administration	13,695	73,554	80,863	65,461
Fiscal	4,644	131	5,000	8,952
Operations and maintenance	-	258,388	254,918	-
Pupil transportation	64,427	55,002	101,401	60,045
Central	5,400	142,583	176,263	77
Operation of non-instructional services:				
Food service operations	240,032	180,203	154,812	138,247
Other non-instructional services	76,568	73,547	77,864	96,033
Extracurricular activities	4,053	1,401	6,732	6,070
Capital grants and contributions:				
Instruction:				
Regular	5,625	-	-	16,343
Support services:				
Fiscal	461	-	-	-
Operations and maintenance	2,845	-	-	-
Pupil transportation	8,154	-	-	12,066
Central	307	-	-	-
Extracurricular activities	-	-	5,000	126,930
Total governmental program revenues	<u>2,838,565</u>	<u>3,561,212</u>	<u>2,635,350</u>	<u>2,447,930</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	<u>\$ (15,446,855)</u>	<u>\$ (14,074,937)</u>	<u>\$ (14,445,500)</u>	<u>\$ (14,150,507)</u>

Source: School District financial records.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 367,690	\$ 513,216	\$ 279,318	\$ 68,955	\$ 64,919	\$ 116,052
-	-	-	-	-	-
-	-	-	-	-	1,297
12,335	-	-	-	-	-
41,347	-	50,427	58,623	51,713	-
-	-	-	-	-	-
11,061	-	-	41,144	-	-
-	-	-	-	-	-
355,508	345,163	329,548	322,058	316,439	309,142
53,036	56,826	51,053	-	34,625	40,384
89,123	82,298	77,710	81,919	92,733	125,533
3,237	11,000	62,428	148,934	109,217	368,410
636,432	167,819	133,340	205,380	121,069	108,163
13,777	-	-	-	-	41,783
-	-	-	-	-	-
181,590	210,367	226,407	134,043	103,189	104,913
87,972	162,313	230,151	158,223	115,252	90,430
64,566	20,000	-	19,948	10,411	6,426
-	6,010	-	1,048	-	-
9,000	-	-	13,881	14,027	9,456
51,872	50,000	-	32,357	31,393	111,348
5,948	5,513	9,623	3,370	2,860	-
114,059	113,106	127,727	102,019	90,905	65,238
93,533	93,653	93,973	85,042	-	-
100	-	-	-	-	3,900
90,872	13,694	-	15,225	-	-
-	-	-	-	-	-
-	3,000	12,000	-	-	-
6,559	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,289,617</u>	<u>1,853,978</u>	<u>1,683,705</u>	<u>1,492,169</u>	<u>1,158,752</u>	<u>1,502,475</u>
<u>\$ (13,851,017)</u>	<u>\$ (12,869,866)</u>	<u>\$ (13,187,083)</u>	<u>\$ (13,268,450)</u>	<u>\$ (12,605,568)</u>	<u>\$ (11,500,257)</u>

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

**General Revenues and Other Changes in Net Assets**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities:				
Property taxes levied for:				
General purposes	\$ 5,596,868	\$ 5,098,704	\$ 4,849,409	\$ 4,295,550
Debt service	1,388,241	1,221,080	1,170,484	1,021,138
Capital outlay	243,854	218,383	205,597	183,446
Grants and entitlements not restricted to specific programs	7,570,683	7,498,166	7,709,810	7,695,009
Investment earnings	52,105	48,618	30,565	150,664
Miscellaneous	277,789	287,507	257,344	394,083
Total governmental activities	<u>15,129,540</u>	<u>14,372,458</u>	<u>14,223,209</u>	<u>13,739,890</u>
Special Item:				
Loss on sale of capital assets	-	-	-	(646,336)
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>(646,336)</u>
<b>Change in Net Assets</b>				
Governmental activities	<u>\$ (317,315)</u>	<u>\$ 297,521</u>	<u>\$ (222,291)</u>	<u>\$ (1,056,953)</u>

**Source:** School District financial records.



	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$	5,459,903	\$ 4,954,642	\$ 4,833,720	\$ 5,141,885	\$ 4,306,050	\$ 4,144,328
	1,323,539	1,200,168	1,279,435	1,241,464	730,494	-
	233,573	217,326	229,046	246,558	214,036	210,352
	7,525,555	7,726,248	7,529,775	7,479,210	7,162,776	6,184,796
	295,028	414,223	350,042	72,983	69,031	133,858
	241,290	35,647	280,123	119,551	68,816	91,764
	<u>15,078,888</u>	<u>14,548,254</u>	<u>14,502,141</u>	<u>14,301,651</u>	<u>12,551,203</u>	<u>10,765,098</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>1,227,871</u>	<u>1,678,388</u>	<u>1,315,058</u>	<u>1,033,201</u>	<u>(54,365)</u>	<u>(735,159)</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:				
Nonspendable	\$ 15,660	\$ 14,186	\$ -	\$ -
Committed	123,199	20,000	-	-
Assigned	1,583,917	1,656,896	-	-
Unassigned	2,426,172	2,755,500	-	-
Reserved	-	-	313,189	508,715
Unreserved	-	-	4,055,093	4,111,347
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total general fund	<u>\$ 4,148,948</u>	<u>\$ 4,446,582</u>	<u>\$ 4,368,282</u>	<u>\$ 4,620,062</u>
All Other Governmental Funds:				
Nonspendable	\$ 9,110	\$ 11,084	\$ -	\$ -
Restricted	7,130,006	13,224,957	-	-
Committed	7,392	5,000	-	-
Unassigned (deficit)	(18,644)	(4,123)	-	-
Reserved	-	-	1,219,642	1,393,648
Unreserved (deficit), reported in:				
Special revenue funds	-	-	224,532	335,012
Capital projects funds	-	-	971,017	862,101
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total all other governmental funds	<u>7,127,864</u>	<u>13,236,918</u>	<u>2,415,191</u>	<u>2,590,761</u>
Total governmental funds	<u>\$ 11,276,812</u>	<u>\$ 17,683,500</u>	<u>\$ 6,783,473</u>	<u>\$ 7,210,823</u>

**Source:** School District financial records.

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

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,346,813	1,198,693	1,320,915	1,094,117	634,171	599,210
<u>2,883,542</u>	<u>1,790,329</u>	<u>1,048,734</u>	<u>1,321,796</u>	<u>1,564,355</u>	<u>2,328,085</u>
<u>\$ 4,230,355</u>	<u>\$ 2,989,022</u>	<u>\$ 2,369,649</u>	<u>\$ 2,415,913</u>	<u>\$ 2,198,526</u>	<u>\$ 2,927,295</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,565,481	1,582,474	3,697,998	11,058,261	20,072,877	348,471
245,496	116,567	124,501	98,407	89,764	108,385
<u>778,960</u>	<u>644,198</u>	<u>(303,100)</u>	<u>1,078,722</u>	<u>(1,684,643)</u>	<u>691,275</u>
<u>2,589,937</u>	<u>2,343,239</u>	<u>3,519,399</u>	<u>12,235,390</u>	<u>18,477,998</u>	<u>1,148,131</u>
<u>\$ 6,820,292</u>	<u>\$ 5,332,261</u>	<u>\$ 5,889,048</u>	<u>\$ 14,651,303</u>	<u>\$ 20,676,524</u>	<u>\$ 4,075,426</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>				
From local sources:				
Taxes	\$ 6,770,183	\$ 6,811,405	\$ 6,273,572	\$ 5,403,970
Tuition and fees	930,521	603,722	454,021	419,581
Charges for services	338,593	343,880	341,006	366,484
Earnings on investments	53,694	48,229	28,962	151,933
Extracurricular	98,937	89,324	72,030	77,507
Classroom materials and fees	69,433	62,951	67,492	74,981
Rental income	7,817	5,826	6,269	6,613
Contributions and donations	29,069	3,654	16,820	38,395
Contract services	3,911	7,888	7,197	-
Other local revenues	350,349	345,605	336,753	610,810
Intergovernmental	-	-	-	-
Intergovernmental - intermediate	40,007	10,055	5,902	7,420
Intergovernmental - state	7,480,036	7,650,851	7,885,218	8,244,818
Intergovernmental - federal	1,697,573	1,890,678	1,361,162	694,053
Total revenues	<u>17,870,123</u>	<u>17,874,068</u>	<u>16,856,404</u>	<u>16,096,565</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,105,699	7,355,952	7,021,672	6,935,336
Special	1,751,605	1,705,416	1,638,378	1,416,148
Vocational	105,314	102,179	100,478	102,032
Other	100,517	91,730	116,797	89,025
Support services:				
Pupil	1,009,267	1,001,149	882,916	805,837
Instructional staff	503,978	470,510	529,378	439,700
Board of education	51,535	32,725	34,668	42,208
Administration	1,159,162	1,201,544	1,246,756	1,134,662
Fiscal	497,353	455,803	417,531	413,401
Operations and maintenance	1,209,641	1,112,437	1,217,001	1,307,832
Pupil transportation	961,052	842,862	1,034,244	933,691
Central	471,051	377,054	384,903	462,887
Operation of non-instructional services:				
Food service operations	541,275	493,375	481,473	480,562
Latchkey operations	54,577	49,485	55,778	59,162
Other non-instructional services	62,265	86,977	111,471	80,774
Extracurricular activities	448,895	381,467	396,081	363,707
Facilities acquisition and construction	6,503,643	786,805	147,450	1,721,517
Capital outlay	-	372,368	-	-
Debt service:				
Principal retirement	258,397	883,287	734,000	645,000
Interest and fiscal charges	1,481,585	1,044,231	734,586	754,830
Bond issuance costs	121,118	225,915	-	-
Total expenditures	<u>24,397,929</u>	<u>19,073,271</u>	<u>17,285,561</u>	<u>18,188,311</u>
Excess (deficiency) of revenues over (under) expenditures	(6,527,806)	(1,199,203)	(429,157)	(2,091,746)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	6,883,813	\$ 6,295,184	\$ 6,339,828	\$ 6,621,876	\$ 5,238,181	\$ 4,369,648
	355,958	377,456	330,371	109,599	98,444	99,545
	355,508	334,798	309,497	316,175	316,439	308,437
	298,446	344,099	324,107	434,021	237,101	114,945
	77,007	87,732	97,513	105,249	105,512	120,231
	77,103	-	-	-	-	-
	11,061	-	-	-	-	-
	32,543	-	-	-	-	-
	-	-	-	-	-	-
	292,410	233,164	165,753	150,652	101,322	159,613
	-	8,582,723	8,424,561	8,398,680	7,761,099	7,090,395
	7,049	-	-	-	-	-
	8,093,186	-	-	-	-	-
	728,894	-	-	-	-	-
	<u>17,212,978</u>	<u>16,255,156</u>	<u>15,991,630</u>	<u>16,136,252</u>	<u>13,858,098</u>	<u>12,262,814</u>
	6,733,121	6,784,944	6,782,001	6,679,794	6,507,446	6,277,489
	1,181,419	1,262,793	1,168,387	1,127,148	983,149	928,148
	97,689	99,547	180,861	189,986	184,712	169,711
	71,238	70,893	113,592	-	-	-
	824,645	804,530	932,756	995,821	1,031,548	931,179
	450,490	501,623	360,100	418,128	401,779	330,787
	39,158	33,019	35,244	38,728	27,473	32,385
	1,121,363	996,544	1,208,170	1,221,624	1,202,925	1,113,249
	391,455	380,471	413,774	349,545	357,144	307,648
	1,167,067	1,370,859	1,144,122	1,104,670	1,043,890	1,069,185
	838,352	842,977	957,829	764,552	743,655	816,167
	242,335	217,950	124,855	160,113	157,177	134,445
	451,830	428,268	471,346	445,941	433,690	421,298
	53,322	45,876	52,443	46,496	43,000	-
	118,962	83,740	63,469	72,164	-	36,883
	354,924	318,879	326,982	375,711	361,914	310,056
	244,543	-	-	-	-	-
	-	1,309,580	9,182,968	7,018,313	1,136,276	120,011
	605,000	510,000	475,000	1,154,418	-	130,000
	738,034	749,450	760,575	-	148,750	5,175
	-	-	-	-	-	-
	<u>15,724,947</u>	<u>16,811,943</u>	<u>24,754,474</u>	<u>22,163,152</u>	<u>14,764,528</u>	<u>13,133,816</u>
	1,488,031	(556,787)	(8,762,844)	(6,026,900)	(906,430)	(871,002)

- (Continued)

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Other Financing Sources (Uses)</b>				
Lease-purchase agreement	\$ -	\$ -	\$ -	\$ 890,000
Sale of capital assets	-	-	1,807	10,030
Transfers in	41,800	17,096	25,000	1,017,061
Transfers (out)	(41,800)	(17,096)	(25,000)	(28,937)
Premium on refunding bonds	935,832	-	-	-
Sale of refunding bonds	8,554,726	-	-	-
Payment to refunded bond escrow agent	(9,369,440)	-	-	-
Premium on notes and bonds sold	-	226,875	-	-
Sale of bonds	-	11,499,987	-	-
Capital lease transaction	-	372,368	-	-
Pass-through	-	-	-	-
Total other financing sources (uses)	<u>121,118</u>	<u>12,099,230</u>	<u>1,807</u>	<u>1,888,154</u>
<b>Special Item</b>				
Sale of capital assets	-	-	-	594,123
Total special item	-	-	-	594,123
Net change in fund balances	<u>\$ (6,406,688)</u>	<u>\$ 10,900,027</u>	<u>\$ (427,350)</u>	<u>\$ 390,531</u>
Capital expenditures	\$ 6,537,372	\$ 1,163,719	\$ 232,781	\$ 1,717,822
Debt service as a percentage of noncapital expenditures	9.74%	10.76%	8.61%	8.50%

**Source:** School District financial records.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	589	1,679	-	814
11,687	-	2,507	17,685,741	30,000	38,500
(11,687)	-	(2,507)	(17,685,741)	(30,000)	(38,500)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	8,628	-
-	-	-	-	17,500,000	-
-	-	-	-	-	-
-	-	-	-	(1,100)	-
-	-	589	1,679	17,507,528	814
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,488,031</u>	<u>\$ (556,787)</u>	<u>\$ (8,762,255)</u>	<u>\$ (6,025,221)</u>	<u>\$ 16,601,098</u>	<u>\$ (870,188)</u>
\$ 370,430	\$ 1,972,910	\$ 9,156,879	\$ 6,817,425	\$ 1,091,413	\$ 184,909
8.75%	8.49%	7.92%	7.52%	1.09%	1.04%

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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
2012	\$ 252,957,500	\$ 722,735,714	\$ -	\$ -	\$ 11,305,270	\$ 32,300,771
2011	254,638,260	727,537,886	-	-	10,818,110	30,908,886
2010	252,011,520	720,032,914	721,700	2,886,800	8,515,930	24,331,229
2009	265,642,394	758,978,269	2,909,940	11,639,760	10,150,420	29,001,200
2008	261,007,180	745,734,800	2,233,899	8,935,596	10,066,060	28,760,171
2007	255,923,180	731,209,086	4,535,488	18,141,952	12,065,090	34,471,686
2006	223,290,830	637,973,800	6,102,357	24,409,428	11,594,330	33,126,657
2005	214,193,470	611,981,343	7,207,612	28,830,448	13,694,286	39,126,531
2004	203,806,930	582,305,514	6,956,079	27,824,316	13,216,381	37,761,089
2003	177,929,030	508,368,657	7,705,813	30,823,252	14,640,857	41,831,020

**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 is 25%, which was established in 1993.  
Tangible personal property tax was phased out entirely by 2011.
- (c) Assumes public utilities are assessed at true value which is 35%.



		<b>Total</b>		
<b>Total Direct Tax Rate</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>%</b>	
\$ 50.10	\$ 264,262,770	\$ 755,036,486	35.00%	
49.83	265,456,370	758,446,771	35.00%	
49.90	261,249,150	747,250,943	34.96%	
49.60	278,702,754	799,619,229	34.85%	
49.75	273,307,139	783,430,567	34.89%	
49.91	272,523,758	783,822,723	34.77%	
50.21	240,987,517	695,509,885	34.65%	
50.21	235,095,368	679,938,322	34.58%	
50.21	223,979,390	647,890,919	34.57%	
44.60	200,275,700	581,022,929	34.47%	

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

<b>Tax Year/ Collection Year</b>	<b>Lorain County</b>	<b>City of Elyria</b>	<b>Village of Lagrange</b>	<b>Township of Carlisle</b>	<b>Township of Elyria</b>	<b>Township of Lagrange</b>	<b>Township of New Russia</b>
2011/2012	\$ 13.69	\$ 6.10	\$ 6.30	\$ 7.25	\$ 7.78	\$ 8.01	\$ 3.40
2010/2011	13.69	6.10	6.23	7.28	7.78	8.08	4.59
2009/2010	13.39	5.68	6.23	7.28	7.78	8.08	4.59
2008/2009	13.39	4.78	6.23	7.28	7.78	7.28	4.59
2007/2008	13.39	4.78	8.93	7.28	7.78	7.28	5.97
2006/2007	13.49	4.78	8.93	7.28	7.78	7.28	5.97
2005/2006	13.49	4.78	8.93	7.28	7.78	7.28	5.97
2004/2005	13.19	4.78	8.93	7.28	7.78	7.28	6.40
2003/2004	12.89	3.78	8.93	7.28	7.78	7.28	6.40
2002/2003	12.89	3.78	8.93	7.28	7.78	7.28	6.40

**Source:** Lorain County Auditor's Office.

		<b>Keystone Local School District</b>						
		<b>Voted</b>						
<b>Township of Penfield</b>	<b>Township of Pittsfield</b>	<b>General</b>	<b>Bond</b>	<b>Permanent Improvement</b>	<b>Unvoted</b>	<b>Total</b>		
\$ 10.28	\$ 8.50	\$ 37.98	\$ 5.50	\$ 2.00	\$ 4.62	\$ 50.10		
10.78	9.72	37.98	5.23	2.00	4.62	49.83		
10.78	9.72	37.98	5.30	2.00	4.62	49.90		
10.78	9.72	37.98	5.00	2.00	4.62	49.60		
10.78	11.10	37.98	5.15	2.00	4.62	49.75		
10.78	11.10	37.98	5.31	2.00	4.62	49.91		
11.78	11.10	37.98	5.61	2.00	4.62	50.21		
12.03	11.78	37.98	5.61	2.00	4.62	50.21		
12.03	11.78	37.98	5.61	2.00	4.62	50.21		
10.53	11.78	37.98	-	2.00	4.62	44.60		

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

PRINCIPAL PROPERTY TAX PAYERS  
DECEMBER 31, 2011 AND DECEMBER 31, 2002

<b>December 31, 2011</b>			
<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Columbia Gas Transmission	\$ 4,952,010	1	1.87%
Ohio Edison/First Energy	2,486,530	2	0.94%
Grey Hawk	2,089,190	3	0.79%
Durham Ridge Investments	1,687,070	4	0.64%
Sentinel Square	1,221,270	5	0.46%
Elyria Country Club	1,026,750	6	0.39%
Twin Lakes LTD	929,650	7	0.35%
Lorain Medina Rural Electric	918,970	8	0.35%
Manufacturers Holding, Inc.	660,590	9	0.25%
Zeager Realty LTD	616,980	10	0.23%
Total	\$ 16,589,010		6.28%

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

**Source:** Lorain County Auditor's Office.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<b>Tax Year/ Collection Year</b>	<b>Current Levy</b>	<b>Current Collection</b>	<b>Percent of Current Levy Collected</b>	<b>Delinquent Collection (a)</b>	<b>Total Collection</b>	<b>Total Collection as a Percent of Total Levy</b>
2011/2012	\$ 7,461,429	\$ 7,550,080	101.19%	\$ 337,127	\$ 7,887,207	105.71%
2010/2011	7,418,268	7,433,938	100.21%	264,604	7,698,542	103.78%
2009/2010	7,321,678	7,323,056	100.02%	268,712	7,591,768	103.69%
2008/2009	7,353,741	7,205,996	97.99%	275,376	7,481,372	101.74%
2007/2008	7,372,697	7,273,372	98.65%	251,484	7,524,856	102.06%
2006/2007	7,445,731	7,475,900	100.41%	262,844	7,738,744	103.94%
2005/2006	6,872,299	6,795,280	98.88%	285,145	7,080,425	103.03%
2004/2005	6,713,268	6,652,544	99.10%	213,483	6,866,027	102.28%
2003/2004	6,493,065	6,513,315	100.31%	238,832	6,752,147	103.99%
2002/2003	4,714,028	4,699,531	99.69%	191,955	4,891,486	103.76%

**Source:** Lorain County Auditor's Office.

**Notes:**

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

Fiscal Year	Governmental Activities				(a) Total Primary Government	(b) Percentage of Personal Income	(b) Per Capita	(b) Per ADM
	General Obligation Bonds	Lease- Purchase Agreement	Bond Anticipation Notes	Capital Leases				
2012	\$ 24,890,244	\$ 752,000	\$ -	\$ 274,684	\$ 25,916,928	1.33%	\$ 336	\$ 15,272
2011	25,131,649	800,000	-	340,081	26,271,730	1.03%	340	15,592
2010	14,399,488	846,000	-	-	15,245,488	0.58%	192	8,952
2009	15,068,794	890,000	-	-	15,958,794	0.62%	201	9,235
2008	15,694,213	-	-	-	15,694,213	0.61%	198	8,989
2007	16,275,491	-	-	-	16,275,491	0.63%	205	9,037
2006	16,740,000	-	-	-	16,740,000	0.92%	210	9,188
2005	17,215,000	-	-	-	17,215,000	0.72%	215	9,516
2004	17,500,000	-	17,500,000	-	35,000,000	1.46%	438	19,084
2003	-	-	-	-	-	0.00%	-	-

**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**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			(c) Percentage of Actual Taxable Value of Property	(b) Net Bonded Debt Per Capita
	(a) General Obligation Bonds	Debt Service Available Fund Balance	Net Bonded Debt		
2012	\$ 24,890,244	\$ 1,313,200	\$ 23,577,044	3.12%	\$ 305
2011	25,131,649	964,028	24,167,621	3.19%	312
2010	14,399,488	1,142,605	13,256,883	1.77%	167
2009	15,068,794	1,193,326	13,875,468	1.74%	175
2008	15,694,213	1,402,119	14,292,094	1.82%	180
2007	16,275,491	1,305,862	14,969,629	1.91%	189
2006	16,740,000	1,255,416	15,484,584	2.23%	195
2005	17,215,000	1,077,688	16,137,312	2.37%	202
2004	17,500,000	18,502,977	(1,002,977)	-0.15%	(13)
2003	-	224,965	(224,965)	-0.04%	(3)

**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**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 25,916,928	100.00%	\$ 25,916,928
Overlapping debt:			
Lorain County	25,290,000	3.98%	1,006,542
City of Elyria	26,625,000	0.17%	45,263
Total overlapping debt	<u>51,915,000</u>		<u>1,051,805</u>
 Total direct and overlapping debt	 <u>\$ 77,831,928</u>		 <u>\$ 26,968,733</u>

**Source:** Ohio Municipal Advisory Council.

**Note:** Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the District by the total assessed valuation of the subdivision. The valuations used were for the 2012 collection year.



**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

Fiscal Year	Voted Debt Limit	Total Debt Applicable to Limit (a)	Debt Service Available Balance	Net Debt Applicable to Limit	Voted Legal Debt Margin (b)	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2012	\$ 23,783,649	\$ 24,839,713	\$ 1,313,200	\$ 23,526,513	\$ 257,136	98.92%
2011	23,636,620	24,984,987	964,028	24,020,959	(384,339)	101.63%
2010	23,447,471	14,290,000	1,142,605	13,147,395	10,300,076	56.07%
2009	24,811,556	14,980,000	1,193,326	13,786,674	11,024,882	55.57%
2008	24,379,249	15,625,000	1,402,119	14,222,881	10,156,368	58.34%
2007	24,527,138	16,230,000	1,305,862	14,924,138	9,603,000	60.85%
2006	21,688,877	16,740,000	1,255,416	15,484,584	6,204,293	71.39%
2005	21,158,583	17,215,000	1,077,688	16,137,312	5,021,271	76.27%
2004	20,158,145	17,500,000	18,502,977	(1,002,977)	21,161,122	-4.98%
2003	18,024,813	-	224,965	(224,965)	18,249,778	-1.25%

**Source:** School District financial records.

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

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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>
2012	77,178	\$ 25.20	\$ 1,944,886	1,697	7.7%	7.2%	8.2%
2011	77,348	33.12	2,561,766	1,685	8.2%	8.8%	9.2%
2010	79,375	33.12	2,628,900	1,703	10.1%	10.5%	9.5%
2009	79,375	32.35	2,567,781	1,728	9.7%	10.4%	9.6%
2008	79,375	32.35	2,567,781	1,746	7.0%	6.7%	5.7%
2007	79,343	32.35	2,566,746	1,801	6.2%	5.5%	4.7%
2006	79,565	22.85	1,818,060	1,822	5.5%	5.9%	5.1%
2005	80,061	29.95	2,397,827	1,809	5.8%	6.2%	5.5%
2004	79,887	29.95	2,392,616	1,834	6.7%	5.7%	5.1%
2003	79,772	28.59	2,280,681	1,849	7.3%	5.5%	5.7%

**Sources:**

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND THREE YEARS AGO

December 31, 2011

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Keystone Local School District	206	1
Keystone Pointe	150	2
West Roofing	110	3
Inservco	70	4
Micron Manufacturing	67	5
Grey Hawk	44	6
Spacebound	42	7
Lagrange IGA	41	8
McDonald's	32	9
Varbros LLC	17	10
Total	<u>779</u>	

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 LLC	23	9
Village of Lagrange	17	10
Total	<u>655</u>	

**Source:** Individual employers.

**Note:** Information was unavailable at December 31, 2002.

Information related to total employment within the District was unavailable at both December 31, 2011 and December 31, 2008. Therefore, the above totals by employer could not be expressed as a percentage of total employment.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

<b>Type</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Office - administrative	10.25	12.02	11.86	12.02	11.99	12.05	15.25	15.59	13.58
Professional - educational	103.85	102.31	107.19	98.51	98.18	96.31	106.53	107.37	117.81
Professional - other	21.64	13.67	15.52	15.55	12.97	16.26	18.06	16.31	16.84
Technical	1.00	1.00	1.00	1.00	-	-	-	-	-
Office - clerical	12.65	13.35	13.35	13.36	13.24	13.14	15.06	15.54	15.87
Craft & trade	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Service worker/laborer	39.50	34.72	35.65	35.35	32.46	33.22	33.82	42.26	48.49
<b>Total</b>	<b>189.89</b>	<b>178.07</b>	<b>185.57</b>	<b>176.79</b>	<b>169.84</b>	<b>171.98</b>	<b>189.72</b>	<b>198.07</b>	<b>213.59</b>
<b>Function</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Instruction:									
Regular	79.50	77.31	81.89	79.31	83.10	81.31	90.95	91.81	92.81
Special	14.54	14.00	14.30	12.20	11.58	11.50	12.50	11.50	11.50
Vocational	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.13	2.00
Other	2.00	2.00	2.00	2.00	2.00	2.00	3.72	2.00	6.00
Support Services:									
Pupil	11.31	7.00	7.00	6.00	18.47	21.76	23.56	23.19	24.34
Instructional staff	19.14	17.53	19.38	19.55	4.00	4.00	4.72	4.62	4.57
Administration	21.90	19.65	19.49	16.53	13.24	13.14	14.34	13.97	18.30
Fiscal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations and maintenance	12.13	12.00	12.60	12.00	11.00	12.00	11.00	12.89	17.52
Pupil transportation	13.51	13.36	13.69	13.91	13.66	13.95	14.20	14.24	14.83
Central	1.00	1.00	1.00	1.00	0.17	0.17	0.17	3.00	2.00
Operation of Non-Instructional Services:									
Food service operations	9.21	8.76	8.76	8.69	8.17	7.83	7.89	11.72	11.36
Other non-instructional	3.65	3.46	3.46	3.60	2.45	2.32	3.67	6.00	7.36
<b>Total Governmental Activities</b>	<b>189.89</b>	<b>178.07</b>	<b>185.57</b>	<b>176.79</b>	<b>169.84</b>	<b>171.98</b>	<b>189.72</b>	<b>198.07</b>	<b>213.59</b>

**Source:** District records.

**Note:** Staffing statistics for fiscal year 2003 were not available.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

<b>Function</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Instruction:</b>										
Regular and Special										
Enrollment (students)	1,697	1,685	1,703	1,750	1,780	1,836	1,874	1,912	1,905	1,900
Graduates	137	132	138	142	142	127	136	132	131	128
<b>Support services:</b>										
Board of education										
Regular meetings per year	22	19	22	23	22	22	24	22	19	24
Special meetings per year	4	6	6	2	2	-	3	1	5	2
Fiscal										
Nonpayroll checks issued	2,622	2,513	2,563	2,961	2,749	2,807	3,019	3,065	3,016	2,995
Operations and maintenance										
Square footage maintained	252,370	249,370	249,370	249,370	249,370	249,370	197,170	197,170	197,170	197,170
Pupil transportation										
Avg. students transported daily (a)	674	642	647	701	716	861	1,370	1,563	1,561	1,561
Food service operations										
Meals served to students	122,412	109,288	109,391	93,460	90,949	93,685	112,199	107,175	103,776	98,352
Number of students with free or reduced lunches	472	463	379	391	542	335	397	269	244	221

**Source:** District records.

**Notes:**

(a) Figure includes public and nonpublic riders.

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**CAPITAL ASSET STATISTICS  
LAST TEN FISCAL YEARS**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
Construction in progress	6,988,082	695,396	-	1,364,921
Land improvements	2,645,679	2,704,100	2,856,413	1,632,370
Buildings and improvements	13,792,480	14,292,785	14,803,729	15,358,091
Furniture and equipment	520,826	634,566	326,363	305,854
Vehicles	339,719	331,000	375,919	284,523
Total Governmental Activities				
Capital Assets, net	<u>\$ 24,808,602</u>	<u>\$ 19,179,663</u>	<u>\$ 18,884,240</u>	<u>\$ 19,467,575</u>

**Source:** School District financial records.

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 399,414
-	-	16,744,797	7,672,018	881,477	-
1,682,140	1,760,200	234,994	241,420	244,908	188,946
16,987,163	17,441,843	3,359,812	3,405,751	3,441,144	3,471,209
335,266	268,566	175,455	186,627	183,305	224,658
259,227	232,816	347,426	360,479	415,860	474,268
<u>\$ 19,785,612</u>	<u>\$ 20,225,241</u>	<u>\$ 21,384,300</u>	<u>\$ 12,388,111</u>	<u>\$ 5,688,510</u>	<u>\$ 4,758,495</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	579	578	588	599
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	547	559	544	540
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	571	548	571	589
Total enrollment by year	1,697	1,685	1,703	1,728

**Source:** District records.

**Notes:** Year of original construction is in parentheses.

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

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



<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
106,884	106,884	106,884	(a)	(a)	(a)
625	625	625	(a)	(a)	(a)
609	623	615	596	623	609
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
552	582	597	622	593	601
57,096	57,096	57,096	57,096	57,096	57,096
381	381	381	381	381	381
585	596	610	591	618	639
1,746	1,801	1,822	1,809	1,834	1,849

**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

OPERATING STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	General Government		Governmental Activities			Percent Change	Teaching Staff	Pupil/Teacher Ratio
	Expenditures (a)	Cost per pupil	Expenses (a)	Cost per pupil	Enrollment (b)			
2012	\$ 22,536,829	\$ 13,280	\$ 16,913,725	\$ 9,967	1,697	0.71%	108	15.71
2011	16,919,838	10,041	16,493,230	9,788	1,685	-1.06%	106	15.90
2010	15,816,975	9,288	16,327,439	9,587	1,703	-1.45%	109	15.62
2009	16,788,481	9,716	15,825,639	9,158	1,728	-1.03%	108	16.00
2008	14,381,913	8,237	15,380,138	8,809	1,746	-3.05%	101	17.29
2007	15,552,493	8,635	13,929,965	7,735	1,801	-1.15%	101	17.83
2006	23,518,899	12,908	14,111,005	7,745	1,822	0.72%	106	17.19
2005	21,008,734	11,613	14,151,903	7,823	1,809	-1.36%	123	14.71
2004	14,615,778	7,969	13,764,320	7,505	1,834	-0.81%	123	14.91
2003	12,998,641	7,030	12,997,557	7,030	1,849	0.71%	124	14.91

**Source:** School District financial records.

**Notes:**

(a) Debt Service totals have been excluded.

(b) Enrollment figures are taken from District records.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### **Independent Accountants' Report on Applying Agreed-Upon Procedure**

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 19, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.  
December 19, 2012

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# Dave Yost • Auditor of State

**KEYSTONE LOCAL SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2013**