

# Keystone Local School District

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## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended  
June 30, 2016*



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

**Franco R. Gallo**  
Superintendent



**Michael R. Resar**  
Treasurer/CFO





# Dave Yost • Auditor of State

Board of Education  
Keystone Local School District  
531 Opportunity Way  
Lagrange, OH 44050

We have reviewed the *Independent Auditor's Report* of the Keystone Local School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 2, 2017

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## INTRODUCTORY SECTION

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**KEYSTONE LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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## KEYSTONE LOCAL SCHOOL DISTRICT

December 19th, 2016

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, 2016 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 is accurate in all material respects and is 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, 2016, were audited by Julian & Grube, Inc. whose opinion thereon is included at the beginning of the Financial Section of this report.

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 the old Keystone Elementary School built in 1891, the new Keystone Elementary School built in 2016, Keystone Middle School built in 2013, and Keystone High School built in 2006. Keystone Elementary School, Keystone Middle School and Keystone High School were constructed under the Ohio School Facilities Expedited Local Partnership Program (ELPP). With the completion of the middle school, the District's share of the OFCC Master Plan was 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 achieved its vision of offering students a completely new academic campus.

### ***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. Franco Gallo has served as Superintendent of the District since January of 2015. 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. Mr. Michael Resar Sr. has served as Treasurer/CFO of the District since August 1, 2015.

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

As was the case for the last few years, schools no longer receive overall ratings such as "Excellent" or "Excellent with Distinction". In place of these overall ratings, schools now receive individual letter grades in six different areas of evaluation. The letter grades, A-F, are similar to those received by students for their individual classes. The areas of evaluation include Overall Achievement for all students, Gap Closing for students in sub-groups, Grades K-3 Literacy, Progress, Prepared for Success for high school students, and Graduation Rate. When looking at the District's report card, strengths are found in the areas of Overall Achievement, an area in which the District outscored the state average on all 28 tested areas, as well as both 4 and 5 year graduation rate. The rate in which Keystone students were able to graduate in four years or less increased to 95% which is well above the state average of 83%. As the Curriculum Director stated, "this is due to the hard work of the teachers and students in preparing for the OGT and will continue with the implementation of new, more rigorous, state-created end of course exams." In addition, over 69% of the students tested in grades 3-12 scored proficient or higher on the state tests and 41% scored advanced or accelerated.

### ***Economic Condition***

Of all school districts in Lorain County, the District has one of the lowest cost-per-pupil rates. The District's conservative financial record has given it the ability to operate successfully without new funding from District voters in 20 years. However, the loss of both State and local revenue over the last several years has made it necessary to seek additional operating funds from voters. Therefore, the District placed a 5.95 mill current expense levy on November 2014 ballot that was rejected by the voters. Subsequently, the District passed a 7.95 mill current expense levy on the May 2015 ballot. The District's five-year forecast is updated frequently for changes in State and local economic conditions.

### ***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 State and local 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 reflects the District-established cash reserve threshold of \$2,500,000.

Long-term projections show total revenue will grow due to the passage of the additional operating funds passed by voters. 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 unpredictable due to a new State budget being adopted every two years (the State funding formula has changed in each of the last three State budgets). Even though District enrollment has declined in recent years, projected District enrollment over the next five years is expected to remain consistent due to the admission of students through open enrollment.

## ***Major Initiatives***

The District continues to explore grant opportunities to carry on its upward trend in academic performance without sacrificing financial stability. The District has taken a leading role in utilizing grant funds to finance various initiatives alleviating the general fund from incurring such expenses. The District financed a new high school weight room as well as hydration stations throughout the District. The District was able to achieve this using various grant opportunities. The District's various initiatives indicate the District's commitment to proactively seek solutions to avoid financial pitfalls in the future.

## **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 instead of presenting information by fund type. Nonmajor funds are presented in total in one column. Governmental

funds use the modified accrual basis of accounting and include reconciliations 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 ensure conformance with 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" and Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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), Connect, the Lake Erie Regional Council (LERC), the Ohio Schools Council Association (the "Council") and the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP). 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, 2015. 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,



Mr. Michael Resar Sr.  
Treasurer/CFO



**Keystone Local School District  
List of Principal Officials  
As of June 30, 2016**

***Board of Education***

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

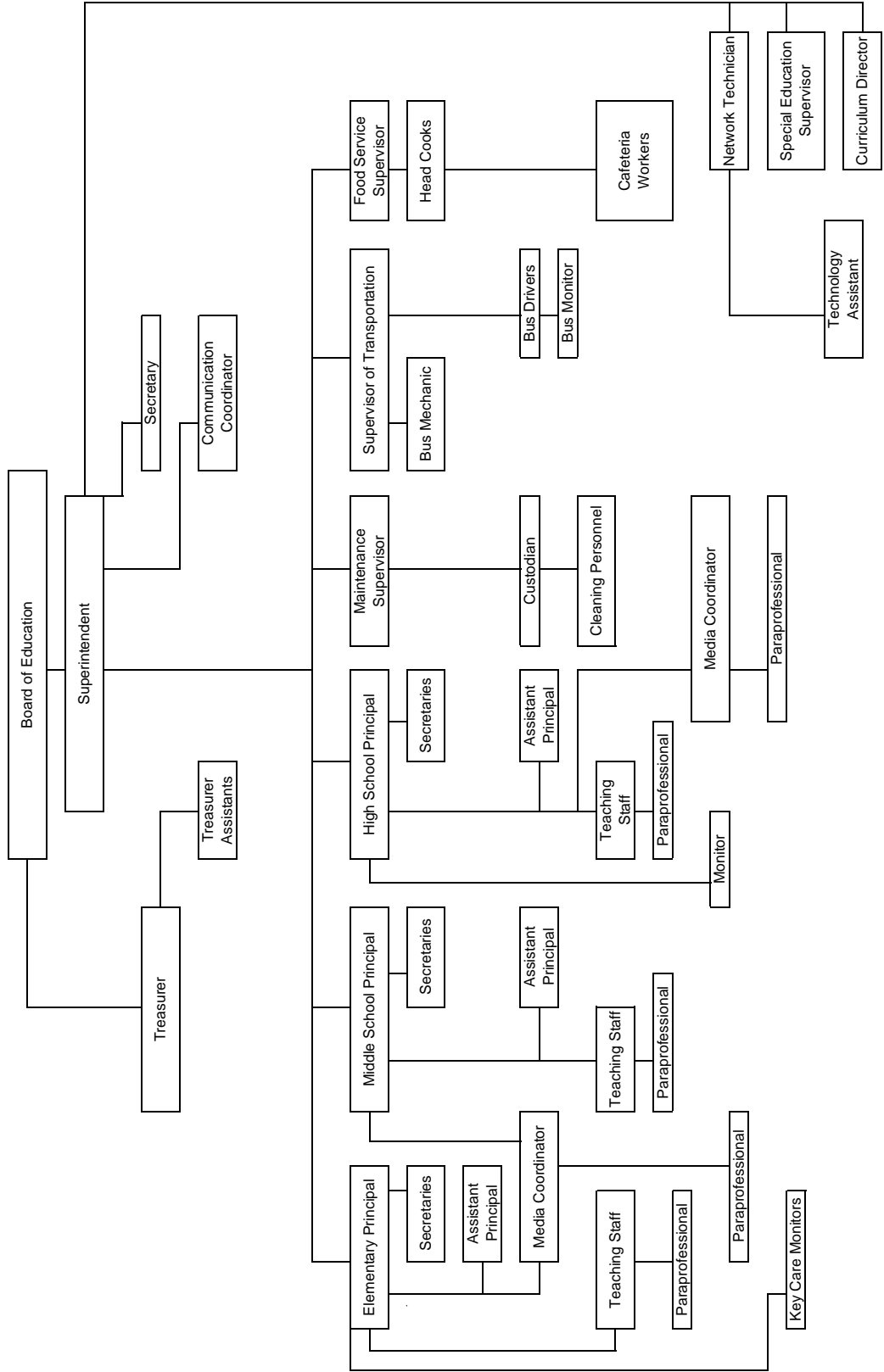
***Administration***

Franco Gallo	Superintendent
David Kish	Director of Curriculum & Instruction
Jacqueline Vance	Supervisor of Special Education
James Kohler	High School Principal
Jessica Tafe	High School Vice-Principal
Antonietta Filut	Middle School Principal
Jacob Alferio	Middle School Vice-Principal
Maura Neville	Elementary School Principal
Jacob Alferio	Elementary School Vice-Principal
Michael Smith	Maintenance Supervisor
Jody White	Supervisor of Food Services
Michael Smith	Supervisor of Transportation Services

***Treasurer/CFO***

Michael Resar Sr.

KEYSTONE LOCAL SCHOOL DISTRICT ORGANIZATIONAL CHART





Government Finance Officers Association

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, 2015**

Executive Director/CEO

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

## Independent Auditor's Report

Keystone Local School District  
Lorain County  
531 Opportunity Way  
LaGrange, Ohio 44050

To the Board of Education:

### ***Report on the Financial Statements***

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, 2016, and the related notes to the financial statements, which collectively comprise the Keystone Local School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Keystone Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Keystone Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Keystone Local School District  
Independent Auditor's Report

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on 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 present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules 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, these statements and schedules are 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Keystone Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 19, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The discussion and analysis of the Keystone Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- During fiscal year 2016, net position of governmental activities increased \$1,451,389 from \$5,336,586 to \$6,787,975. This represents a 27.20% increase from fiscal year 2015.
- General revenues accounted for \$15,736,453 in revenue or 82.74% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,283,053 in revenue or 17.26% of total revenues of \$19,019,506.
- The District had \$17,568,117 in expenses related to governmental activities; only \$3,283,053 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 \$15,736,453 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund and the classroom facilities fund. The general fund had \$15,836,957 in revenues and other financing sources and \$14,676,328 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$1,160,629 from \$1,113,972 to \$2,274,601.
- The bond retirement fund had \$1,798,816 in revenues and \$1,384,093 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$414,723 from \$2,132,376 to \$2,547,099.
- The classroom facilities fund had \$2,412,446 in revenues and \$113,104 in expenditures. During fiscal year 2016, the classroom facilities fund's fund balance increased \$2,299,342 from a deficit of \$56,928 to a fund balance of \$2,242,414.

**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 position 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, the bond retirement fund and the classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Reporting the District as a Whole**

*Statement of Net Position 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 the District do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position and changes in net position. This change in net position 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 position 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 position and statement of activities can be found on pages 25-26 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 21. 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, the bond retirement fund, and the classroom facilities 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 position 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.

*Reporting the District's Fiduciary Responsibilities*

The District acts in a trustee capacity as an agent for individuals and/or other governments or organizations. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Notes to the Basic Financial Statements***

The notes to the basic financial statements 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 33-72 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 74-80 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	<b>Net Position</b>	
	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 18,171,283	\$ 20,932,279
Capital assets, net	<u>45,689,343</u>	<u>45,770,649</u>
Total assets	<u>63,860,626</u>	<u>66,702,928</u>
<u>Deferred Outflows of Resources</u>	<u>2,825,390</u>	<u>2,240,570</u>
<u>Liabilities</u>		
Current liabilities	1,418,581	6,111,900
Long-term liabilities:		
Due within one year	742,497	693,520
Due in more than one year:		
Net pension liability	20,987,561	19,946,026
Other amounts	<u>26,116,371</u>	<u>26,362,812</u>
Total liabilities	<u>49,265,010</u>	<u>53,114,258</u>
<u>Deferred Inflows of Resources</u>	<u>10,633,031</u>	<u>10,492,654</u>
<u>Net Position</u>		
Net investment in capital assets	20,670,900	15,980,229
Restricted	5,786,670	10,513,353
Unrestricted (deficit)	<u>(19,669,595)</u>	<u>(21,156,996)</u>
Total net position	<u>\$ 6,787,975</u>	<u>\$ 5,336,586</u>

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During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

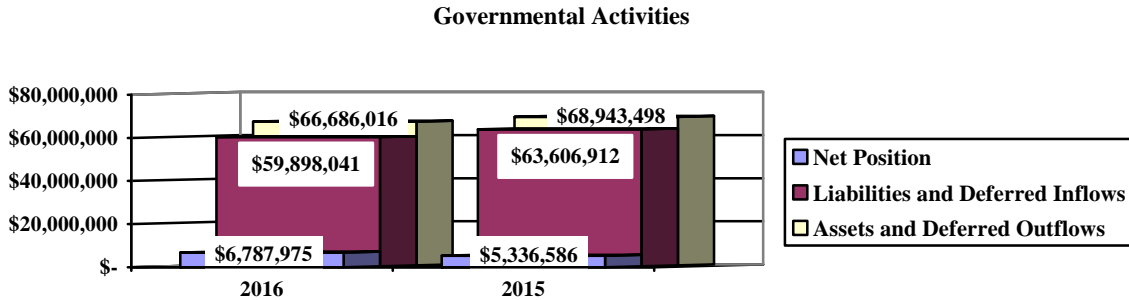
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,787,975.

At fiscal year-end, capital assets represented 71.55% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2016 was \$20,670,900. 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 position, \$5,786,670, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$19,669,595.

The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016 and June 30, 2015.



The table below shows the changes in net position for governmental activities for fiscal years 2016 and 2015.

	<b>Change in Net Position</b>		
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 1,875,580	\$ 2,002,987	(6.36) %
Operating grants and contributions	1,401,845	1,450,245	(3.34) %
Capital grants and contributions	5,628	18,967	(70.33) %
General revenues:			
Property taxes	7,870,326	6,351,068	23.92 %
Grants and entitlements not restricted	7,238,844	7,112,230	1.78 %
Grants and entitlements restricted	257,130	1,447,644	(82.24) %
Investment earnings	99,196	50,430	96.70 %
Miscellaneous	270,957	290,227	(6.64) %
<b>Total revenues</b>	<b><u>19,019,506</u></b>	<b><u>18,723,798</u></b>	<b>1.58 %</b>

-Continued

**KEYSTONE LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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	<b>Change in Net Position (Continued)</b>		
	Governmental	Governmental	Percentage
	Activities	Activities	
	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 7,284,769	\$ 7,480,329	(2.61) %
Special	2,026,102	2,110,500	(4.00) %
Vocational	55,856	53,748	3.92 %
Other	49,881	94,524	(47.23) %
Support services:			
Pupil	847,757	884,804	(4.19) %
Instructional staff	593,048	525,268	12.90 %
Board of education	51,846	49,765	4.18 %
Administration	1,311,080	1,359,148	(3.54) %
Fiscal	509,138	569,229	(10.56) %
Operations and maintenance	1,419,131	1,250,935	13.45 %
Pupil transportation	835,930	975,122	(14.27) %
Central	237,935	262,348	(9.31) %
Operation of non-instructional services:			
Food service operations	559,389	562,684	(0.59) %
Latchkey operations	107,112	70,659	51.59 %
Other non-instructional services	55,424	54,400	1.88 %
Extracurricular activities	487,692	469,386	3.90 %
Interest and fiscal charges	1,136,027	1,209,134	(6.05) %
Total expenses	<u>17,568,117</u>	<u>17,981,983</u>	(2.30) %
Change in net position	1,451,389	741,815	
Net position at beginning of year	<u>5,336,586</u>	<u>4,594,771</u>	
Net position at end of year	<u>\$ 6,787,975</u>	<u>\$ 5,336,586</u>	27.20 %

**Governmental Activities**

During fiscal year 2016, revenues increased \$295,708 or 1.58%. This increase is primarily due to a \$1,519,258 increase in property taxes during the fiscal year. Restricted grants and entitlements decreased \$1,190,514 or 82.24% due to the District completing the OFCC project during the fiscal year. The District's expenses decreased 2.30% due to the District's cost containment policies.

Net position of the District's governmental activities increased \$1,451,389. Total governmental expenses of \$17,568,117 were offset by program revenues of \$3,283,053 and general revenues of \$15,736,453. Program revenues supported 18.69% 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 80.79% of total governmental revenues.

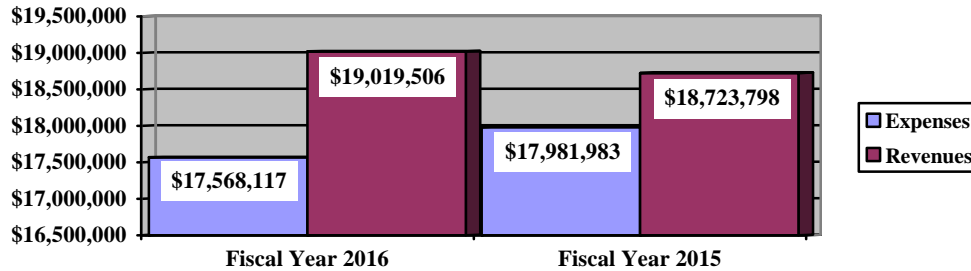
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,416,608 or 53.60% of total governmental expenses for fiscal year 2016.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The graph below presents the District's governmental activities revenues and expenses for fiscal years 2016 and 2015.

**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 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,284,769	\$ 5,903,284	\$ 7,480,329	\$ 6,048,866
Special	2,026,102	1,208,180	2,110,500	1,154,218
Vocational	55,856	49,574	53,748	40,888
Other	49,881	49,881	94,524	86,703
Support services:				
Pupil	847,757	716,463	884,804	715,717
Instructional staff	593,048	539,419	525,268	470,998
Board of education	51,846	51,846	49,765	49,765
Administration	1,311,080	1,311,080	1,359,148	1,359,148
Fiscal	509,138	509,138	569,229	568,873
Operations and maintenance	1,419,131	1,415,991	1,250,935	1,246,602
Pupil transportation	835,930	758,868	975,122	911,425
Central	237,935	232,535	262,348	256,948
Operations of non-instructional services:				
Food service operations	559,389	(9,797)	562,684	11,359
Latchkey operations	107,112	8,526	70,659	(18,040)
Other non-instructional services	55,424	(10,732)	54,400	6,322
Extracurricular activities	487,692	414,781	469,386	390,858
Interest and fiscal charges	1,136,027	1,136,027	1,209,134	1,209,134
<b>Total expenses</b>	<u>\$ 17,568,117</u>	<u>\$ 14,285,064</u>	<u>\$ 17,981,983</u>	<u>\$ 14,509,784</u>

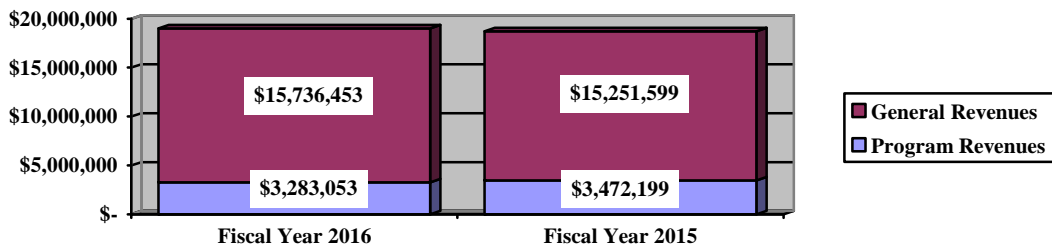
**KEYSTONE LOCAL SCHOOL DISTRICT  
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The dependence upon taxes and other general revenues for governmental activities is apparent, as 76.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.31%. The District's taxpayers and 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 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$8,451,884, which is \$3,189,445 greater than last fiscal year's total balance of \$5,262,439. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

	Fund Balance June 30, 2016	Fund Balance (Deficit) June 30, 2015	Change
General	\$ 2,274,601	\$ 1,113,972	\$ 1,160,629
Bond retirement	2,547,099	2,132,376	414,723
Classroom facilities	2,242,414	(56,928)	2,299,342
Nonmajor governmental	<u>1,387,770</u>	<u>2,073,019</u>	<u>(685,249)</u>
Total	<u>\$ 8,451,884</u>	<u>\$ 5,262,439</u>	<u>\$ 3,189,445</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**General Fund**

The District's general fund balance increased \$1,160,629.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,372,070	\$ 4,949,213	\$ 1,422,857	28.75 %
Tuition	1,257,511	1,400,718	(143,207)	(10.22) %
Earnings on investments	21,944	14,366	7,578	52.75 %
Change in fair value of investments	(692)	6,449	(7,141)	110.73 %
Intergovernmental	7,330,780	7,177,401	153,379	2.14 %
Other revenues	458,746	511,105	(52,359)	(10.24) %
Total	<u>\$ 15,440,359</u>	<u>\$ 14,059,252</u>	<u>\$ 1,381,107</u>	9.82 %
<b><u>Expenditures</u></b>				
Instruction	\$ 8,449,067	\$ 8,659,755	\$ (210,688)	(2.43) %
Support services	5,295,598	5,338,552	(42,954)	(0.80) %
Operation of non-instructional services	107,112	70,659	36,453	51.59 %
Extracurricular activities	336,314	289,290	47,024	16.25 %
Capital outlay	396,598	-	396,598	100.00 %
Debt service	91,604	154,780	(63,176)	(40.82) %
Total	<u>\$ 14,676,293</u>	<u>\$ 14,513,036</u>	<u>\$ 163,257</u>	1.12 %

Overall revenues of the general fund increased \$1,381,107 or 9.82% during fiscal year 2016.

Tax revenue in the general fund increased during the current year due the District passing an additional levy in May of 2015 that resulted in the District receiving additional property tax revenue starting in February of the current fiscal year. The increase in earnings on investments and the related decrease in fair value of investments is due to the increased performance of the District's investment accounts. Tuition revenues decreased due to the number of open enrollment students leaving to go to other districts during the fiscal year.

Overall expenditures of the general fund increased \$163,257 or 1.12% during fiscal year 2016.

The decrease in instructional activities can be attributed to the reduction in force by the District eliminating the industrial arts program and elementary safety monitor positions. The increase in capital outlay expenditures was related to the District's acquiring of a capital lease for copier equipment.

**Bond Retirement Fund**

The bond retirement fund had \$1,798,816 in revenues and \$1,384,093 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$414,723 from \$2,132,376 to \$2,547,099. The bond retirement fund is funded by property taxes and homestead and rollback revenue. In addition, the bond retirement fund receives investment earnings. The expenditures of the fund are principal and interest payments on the District's general obligation debt along with fiscal fees related to the property tax collection.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Classroom Facilities Fund***

The classroom facilities fund had \$2,412,446 in revenues and \$113,104 in expenditures. During fiscal year 2016, the classroom facilities fund's fund balance increased \$2,299,342 from a deficit of \$56,928 to a fund balance of \$2,242,414. The fund received intergovernmental revenue from the OFCC for the construction project and the expenses were for facilities acquisition and construction.

***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 \$15,108,539, which was more than the original budgeted revenues and other financing sources estimate of \$14,193,600. Actual revenues and other financing sources for fiscal year 2016 were \$14,958,241. This represents a \$150,298 decrease from final budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$15,225,381, which was \$219,669 more than the original budgeted expenditures of \$15,005,712. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$14,739,993, which was \$485,388 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$45,689,343 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

The following table shows June 30, 2016 balances compared to June 30, 2015.

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 521,816	\$ 521,816
Construction in progress	-	19,585,236
Land improvements	1,985,768	2,141,917
Buildings and improvements	42,311,648	22,964,019
Furniture and equipment	677,116	311,474
Vehicles	192,995	246,187
<b>Total</b>	<b><u>\$ 45,689,343</u></b>	<b><u>\$ 45,770,649</u></b>

The overall decrease in capital assets of \$81,306 is due to depreciation expense of \$1,257,380 exceeding capital asset additions of \$1,176,074 during fiscal year 2016.

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



**KEYSTONE LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Debt Administration***

At June 30, 2016, the District had \$24,196,759 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also had \$324,824 and \$540,000 in capital lease obligations and lease-purchase agreement obligations outstanding, respectively. Of the total debt obligations outstanding at June 30, 2016, \$614,363 is due within one year and \$24,447,220 is due in more than one year.

The following table summarizes the bonds, accreted interest, capital lease obligations and lease-purchase agreement obligations outstanding at June 30, 2016 and June 30, 2015.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds	\$ 23,110,000	\$ 23,520,000
Capital appreciation bonds	568,785	568,785
Accreted interest	517,974	357,536
Capital lease obligation	324,824	44,086
Lease-purchase agreement	<u>540,000</u>	<u>596,000</u>
Total	<u>\$ 25,061,583</u>	<u>\$ 25,086,407</u>

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

**Current Financial Related Activities**

During the current fiscal year, revenue exceeded expenses by \$1,451,389. The current and long-term financial outlook (fiscal years 2017-2021) will improve due to the May 2015 levy passage. The District is very appreciative of the community's support and is dedicated to maintaining a high standard of education for our students while being fiscally responsible.

The District relies heavily upon real estate taxes, personal property taxes and State funding as the major sources of revenue. The District obtains approximately 43% of its general fund revenue from the federal and State governments and 11% from other local sources. The District receives approximately 46% 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, historical market decline has resulted in the District experiencing an 11 % decline in residential real estate values for its reappraisal in calendar year 2012 followed by a 5% increase in 2015.

Revenue received through the State Formula for fiscal years 2016 will remain consistent with the revenue received in fiscal year 2015. Furthermore, no increases are expected in fiscal years 2017 and 2018 due to the fact that the District is on the transitional aide guarantee. In fiscal year 2016, the funding formula and transitional aid guarantee provided \$ 6,156,453 to the District, which was the same amount the District received in fiscal year 2015. The District is scheduled to receive \$6,156,688 in funding during fiscal year 2017.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The District has been well supported by its community. In calendar year 2003, the community passed a \$17,500,000 bond issue to build a new high school. In calendar year 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 community passed a 7.95 mill continuous levy in May of 2015. The District has refunded over \$ 13,000,000 in bonds over the last four calendar years, saving taxpayers an estimated \$ 3,000,000.

The District completed the final phase of its Master Facility Plan in fiscal year 2016. 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 for the purpose of providing guidance and counsel on matters of budget and finance. 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.

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: Michael Resar Sr., Treasurer/CFO, Keystone Local School District, 531 Opportunity Way, LaGrange, Ohio 44050, or e-mail at [Michael.Resar@Keystone.k12.oh.us](mailto:Michael.Resar@Keystone.k12.oh.us)

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

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 7,306,234
Cash with fiscal agent . . . . .	11,243
Investments with fiscal agent. . . . .	1,504,465
Receivables:	
Property taxes . . . . .	9,053,276
Accounts. . . . .	5,898
Accrued interest . . . . .	9,121
Intergovernmental . . . . .	255,215
Prepayments . . . . .	13,126
Materials and supplies inventory. . . . .	3,475
Inventory held for resale. . . . .	9,230
Capital assets:	
Nondepreciable capital assets . . . . .	521,816
Depreciable capital assets, net. . . . .	45,167,527
Capital assets, net . . . . .	45,689,343
Total assets. . . . .	63,860,626
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	815,955
Pension - STRS . . . . .	1,681,384
Pension - SERS . . . . .	328,051
Total deferred outflows of resources . . . . .	2,825,390
<b>Liabilities:</b>	
Accounts payable. . . . .	30,051
Accrued wages and benefits payable . . . . .	1,074,292
Intergovernmental payable . . . . .	16,684
Pension and postemployment obligation payable. . . . .	202,208
Accrued interest payable . . . . .	90,346
Matured bonds payable. . . . .	5,000
Long-term liabilities:	
Due within one year. . . . .	742,497
Due in more than one year:	
Net pension liability. . . . .	20,987,561
Other amounts due in more than one year . . . . .	26,116,371
Total liabilities . . . . .	49,265,010
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	7,750,108
Pension - STRS. . . . .	2,550,065
Pension - SERS. . . . .	332,858
Total deferred inflows of resources . . . . .	10,633,031
<b>Net position:</b>	
Net investment in capital assets . . . . .	20,670,900
Restricted for:	
Capital projects . . . . .	3,043,177
Classroom facilities maintenance . . . . .	294,908
Debt service. . . . .	2,011,762
Locally funded programs . . . . .	19,590
State funded programs. . . . .	27,265
Federally funded programs . . . . .	98,225
Student activities . . . . .	1,496
Other purposes . . . . .	290,247
Unrestricted (deficit) . . . . .	(19,669,595)
Total net position. . . . .	\$ 6,787,975

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,284,769	\$ 1,350,001	\$ 25,856	\$ 5,628	\$ (5,903,284)
Special . . . . .	2,026,102	20,689	797,233	-	(1,208,180)
Vocational . . . . .	55,856	-	6,282	-	(49,574)
Other . . . . .	49,881	-	-	-	(49,881)
Support services:					
Pupil . . . . .	847,757	14,228	117,066	-	(716,463)
Instructional staff . . . . .	593,048	-	53,629	-	(539,419)
Board of education . . . . .	51,846	-	-	-	(51,846)
Administration . . . . .	1,311,080	-	-	-	(1,311,080)
Fiscal . . . . .	509,138	-	-	-	(509,138)
Operations and maintenance . . . . .	1,419,131	3,140	-	-	(1,415,991)
Pupil transportation . . . . .	835,930	-	77,062	-	(758,868)
Central . . . . .	237,935	-	5,400	-	(232,535)
Operation of non-instructional services:					
Food service operations . . . . .	559,389	316,062	253,124	-	9,797
Latchkey operations . . . . .	107,112	98,586	-	-	(8,526)
Other non-instructional services . . . . .	55,424	-	66,156	-	10,732
Extracurricular activities . . . . .	487,692	72,874	37	-	(414,781)
Interest and fiscal charges . . . . .	1,136,027	-	-	-	(1,136,027)
<b>Total governmental activities . . . . .</b>	<b>\$ 17,568,117</b>	<b>\$ 1,875,580</b>	<b>\$ 1,401,845</b>	<b>\$ 5,628</b>	<b>(14,285,064)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	6,404,044
Debt service . . . . .	1,242,881
Capital outlay . . . . .	91,270
Classroom facilities maintenance . . . . .	132,131
Grants and entitlements restricted	
to capital projects . . . . .	257,130
Grants and entitlements not restricted	
to specific programs . . . . .	7,238,844
Investment earnings . . . . .	99,196
Miscellaneous . . . . .	270,957
<b>Total general revenues . . . . .</b>	<b>15,736,453</b>
Change in net position . . . . .	1,451,389
<b>Net position at beginning of year . . . . .</b>	<b>5,336,586</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 6,787,975</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments. . . . .	\$ 2,642,442	\$ 899,349	\$ 2,242,414	\$ 1,522,029	\$ 7,306,234
Cash with fiscal agent. . . . .	-	11,243	-	-	11,243
Investments with fiscal agent. . . . .	-	1,504,465	-	-	1,504,465
Receivables:					
Property taxes. . . . .	7,355,799	1,330,566	-	366,911	9,053,276
Accounts . . . . .	5,898	-	-	-	5,898
Accrued interest . . . . .	3,534	5,587	-	-	9,121
Interfund loans . . . . .	128,000	-	-	-	128,000
Intergovernmental. . . . .	105,302	-	-	149,913	255,215
Prepayments. . . . .	13,126	-	-	-	13,126
Materials and supplies inventory. . . . .	-	-	-	3,475	3,475
Inventory held for resale. . . . .	-	-	-	9,230	9,230
Total assets . . . . .	<u>\$ 10,254,101</u>	<u>\$ 3,751,210</u>	<u>\$ 2,242,414</u>	<u>\$ 2,051,558</u>	<u>\$ 18,299,283</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 24,321	\$ -	\$ -	\$ 5,730	\$ 30,051
Accrued wages and benefits payable . . . . .	1,026,942	-	-	47,350	1,074,292
Compensated absences payable . . . . .	57,570	-	-	-	57,570
Early retirement incentive payable . . . . .	17,800	-	-	-	17,800
Intergovernmental payable . . . . .	16,044	-	-	640	16,684
Pension and postemployment obligation payable. . . . .	187,440	-	-	14,768	202,208
Interfund loans payable. . . . .	-	-	-	128,000	128,000
Matured bonds payable. . . . .	-	5,000	-	-	5,000
Total liabilities. . . . .	<u>1,330,117</u>	<u>5,000</u>	<u>-</u>	<u>196,488</u>	<u>1,531,605</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . . . .	6,291,851	1,126,128	-	332,129	7,750,108
Delinquent property tax revenue not available. . . . .	353,725	67,396	-	12,083	433,204
Intergovernmental revenue not available. . . . .	2,410	-	-	123,088	125,498
Accrued interest not available. . . . .	1,397	5,587	-	-	6,984
Total deferred inflows of resources . . . . .	<u>6,649,383</u>	<u>1,199,111</u>	<u>-</u>	<u>467,300</u>	<u>8,315,794</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	-	-	-	3,475	3,475
Prepays. . . . .	13,126	-	-	-	13,126
Restricted:					
Debt service . . . . .	-	2,547,099	-	-	2,547,099
Capital improvements . . . . .	-	-	2,242,414	845,533	3,087,947
Classroom facilities maintenance . . . . .	-	-	-	294,908	294,908
Food service operations . . . . .	-	-	-	298,658	298,658
Non-public schools . . . . .	-	-	-	27,265	27,265
Other purposes. . . . .	-	-	-	19,590	19,590
Extracurricular activities. . . . .	-	-	-	1,496	1,496
Committed:					
Capital improvements . . . . .	-	-	-	75	75
Student and staff support . . . . .	29,047	-	-	-	29,047
Student instruction . . . . .	34,840	-	-	-	34,840
Assigned:					
Student instruction . . . . .	33,808	-	-	-	33,808
Student and staff support. . . . .	233,429	-	-	-	233,429
Extracurricular activities . . . . .	500	-	-	-	500
Health and wellness. . . . .	22,700	-	-	-	22,700
Child care programs . . . . .	55,165	-	-	-	55,165
Other purposes. . . . .	-	-	-	7,475	7,475
Unassigned (deficit) . . . . .	1,851,986	-	-	(110,705)	1,741,281
Total fund balances . . . . .	<u>2,274,601</u>	<u>2,547,099</u>	<u>2,242,414</u>	<u>1,387,770</u>	<u>8,451,884</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 10,254,101</u>	<u>\$ 3,751,210</u>	<u>\$ 2,242,414</u>	<u>\$ 2,051,558</u>	<u>\$ 18,299,283</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	8,451,884
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			45,689,343
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	433,204	
Accrued interest receivable		6,984	
Intergovernmental receivable		125,498	
Total		125,498	565,686
Unamortized premiums on bonds issued are not recognized in the funds.			(1,290,789)
Unamortized amounts on refundings are not recognized in the funds.			815,955
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(90,346)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - Pension		2,009,435	
Deferred Inflows - Pension		(2,882,923)	
Net pension liability		(20,987,561)	
Total		(20,987,561)	(21,861,049)
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		(24,196,759)	
Capital lease obligations		(324,824)	
Lease-purchase agreements		(540,000)	
Compensated absences		(431,126)	
Total		(25,492,709)	(25,492,709)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>6,787,975</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 6,372,070	\$ 1,254,441	\$ -	\$ 226,195	\$ 7,852,706
Tuition . . . . .	1,257,511	-	-	-	1,257,511
Earnings on investments . . . . .	21,944	32,269	5,378	853	60,444
Change in fair value of investments . . . . .	(692)	44,410	-	-	43,718
Charges for services . . . . .	-	-	-	316,062	316,062
Extracurricular . . . . .	14,228	-	-	72,874	87,102
Classroom materials and fees . . . . .	69,191	-	-	-	69,191
Rental income . . . . .	3,140	-	-	-	3,140
Contributions and donations . . . . .	1,621	-	250	36,536	38,407
Contract services . . . . .	2,644	-	-	-	2,644
Other local revenues . . . . .	367,922	-	-	44,076	411,998
Intergovernmental - state . . . . .	7,233,013	181,469	2,406,818	110,169	9,931,469
Intergovernmental - federal . . . . .	97,767	286,227	-	608,620	992,614
<b>Total revenues . . . . .</b>	<u>15,440,359</u>	<u>1,798,816</u>	<u>2,412,446</u>	<u>1,415,385</u>	<u>21,067,006</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	6,655,628	-	-	40,773	6,696,401
Special . . . . .	1,690,684	-	-	313,536	2,004,220
Vocational . . . . .	56,084	-	-	-	56,084
Other . . . . .	46,671	-	-	-	46,671
Support services:					
Pupil . . . . .	739,142	-	-	102,572	841,714
Instructional staff . . . . .	495,551	-	-	88,153	583,704
Board of education . . . . .	51,078	-	-	-	51,078
Administration . . . . .	1,298,025	-	-	-	1,298,025
Fiscal . . . . .	475,210	25,943	-	4,813	505,966
Operations and maintenance . . . . .	1,235,380	-	-	54,773	1,290,153
Pupil transportation . . . . .	795,391	-	-	-	795,391
Central . . . . .	205,821	-	-	10,527	216,348
Operation of non-instructional services:					
Other non-instructional services . . . . .	-	-	-	53,383	53,383
Latchkey operations . . . . .	107,112	-	-	-	107,112
Food service operations . . . . .	-	-	-	545,600	545,600
Extracurricular activities . . . . .	336,314	-	-	76,536	412,850
Facilities acquisition and construction . . . . .	-	-	113,104	728,525	841,629
Capital outlay . . . . .	396,598	-	-	-	396,598
Debt service:					
Principal retirement . . . . .	71,774	410,000	-	56,000	537,774
Interest and fiscal charges . . . . .	19,830	948,150	-	25,478	993,458
<b>Total expenditures . . . . .</b>	<u>14,676,293</u>	<u>1,384,093</u>	<u>113,104</u>	<u>2,100,669</u>	<u>18,274,159</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	764,066	414,723	2,299,342	(685,284)	2,792,847
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	35	35
Transfers (out) . . . . .	(35)	-	-	-	(35)
Capital lease transaction . . . . .	396,598	-	-	-	396,598
<b>Total other financing sources (uses) . . . . .</b>	<u>396,563</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>396,598</u>
Net change in fund balances . . . . .	1,160,629	414,723	2,299,342	(685,249)	3,189,445
<b>Fund balances at beginning of year (deficit) . . . . .</b>	<u>1,113,972</u>	<u>2,132,376</u>	<u>(56,928)</u>	<u>2,073,019</u>	<u>5,262,439</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,274,601</u>	<u>\$ 2,547,099</u>	<u>\$ 2,242,414</u>	<u>\$ 1,387,770</u>	<u>\$ 8,451,884</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	3,189,445
<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 cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,176,074	
Current year depreciation	<u>(1,257,380)</u>	
Total		(81,306)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	17,620	
Earnings on investments	1,265	
Intergovernmental	<u>(2,070,241)</u>	
Total		(2,051,356)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	410,000	
Lease purchase agreements	56,000	
Capital leases	<u>71,774</u>	
Total		537,774
Capital lease obligation payable balance forgiven as part of the lease trade-in agreement. This reduces the long-term obligations on the statement of net position.		
		44,086
Inception of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(396,598)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,150,040
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(813,853)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(10,992)	
Accreted interest on capital appreciation bonds	(160,438)	
Amortization of bond premiums	93,612	
Amortization of deferred charges	<u>(64,751)</u>	
Total		(142,569)
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.		
		<u>15,726</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,451,389</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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:				
Property taxes . . . . .	\$ 5,187,455	\$ 6,198,560	\$ 6,132,279	\$ (66,281)
Tuition . . . . .	1,391,597	1,205,220	1,156,904	(48,316)
Earnings on investments . . . . .	10,573	14,777	16,284	1,507
Classroom materials and fees . . . . .	86,428	82,351	69,056	(13,295)
Rental income . . . . .	3,573	3,132	3,140	8
Contributions and donations . . . . .	3,732	1,513	1,521	8
Contract services . . . . .	2,625	2,665	2,644	(21)
Other local revenues . . . . .	240,193	242,878	207,051	(35,827)
Intergovernmental - state . . . . .	7,190,649	7,229,295	7,228,922	(373)
Intergovernmental - federal . . . . .	20,135	91,963	97,767	5,804
Total revenues . . . . .	<u>14,136,960</u>	<u>15,072,354</u>	<u>14,915,568</u>	<u>(156,786)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,983,657	6,861,958	6,744,629	117,329
Special . . . . .	1,794,684	1,865,874	1,780,359	85,515
Vocational . . . . .	54,805	59,163	56,068	3,095
Other . . . . .	108,112	69,221	53,093	16,128
Support services:				
Pupil . . . . .	673,884	698,771	678,049	20,722
Instructional staff . . . . .	516,491	532,704	514,074	18,630
Board of education . . . . .	58,228	64,285	52,220	12,065
Administration . . . . .	1,385,821	1,407,927	1,365,163	42,764
Fiscal . . . . .	510,020	508,351	491,803	16,548
Operations and maintenance . . . . .	1,351,529	1,398,118	1,341,398	56,720
Pupil transportation . . . . .	880,530	870,942	833,501	37,441
Central . . . . .	242,219	247,899	236,412	11,487
Extracurricular activities . . . . .	295,732	360,677	323,733	36,944
Total expenditures . . . . .	<u>14,855,712</u>	<u>14,945,890</u>	<u>14,470,502</u>	<u>475,388</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(718,752)</u>	<u>126,464</u>	<u>445,066</u>	<u>318,602</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	52,861	12,861	15,750	2,889
Transfers (out) . . . . .	(150,000)	(150,000)	(140,035)	9,965
Advances in . . . . .	1,610	20,555	20,555	-
Advances (out) . . . . .	-	(129,491)	(129,456)	35
Sale of capital assets . . . . .	2,169	2,769	6,368	3,599
Total other financing sources (uses) . . . . .	<u>(93,360)</u>	<u>(243,306)</u>	<u>(226,818)</u>	<u>16,488</u>
Net change in fund balance . . . . .	(812,112)	(116,842)	218,248	335,090
<b>Fund balance at beginning of year . . . . .</b>	<b>1,727,238</b>	<b>1,727,238</b>	<b>1,727,238</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>255,994</b>	<b>255,994</b>	<b>255,994</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,171,120</u></b>	<b><u>\$ 1,866,390</u></b>	<b><u>\$ 2,201,480</u></b>	<b><u>\$ 335,090</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Agency</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 47,690
Total assets. . . . .	\$ 47,690
<b>Liabilities:</b>	
Due to students. . . . .	\$ 47,690
Total liabilities . . . . .	\$ 47,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 80 non-certified and 101 certified personnel to provide services to approximately 1,585 students and other community members.

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

The basic financial statements (BFS) 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*JOINTLY GOVERNED ORGANIZATIONS*

Lorain County Joint Vocational School District (JVS)

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

Connect

The North Coast Council became known as Connect effective April 1, 2016. The new governing Board of Directors, the Educational Service Centers of Cuyahoga, Lorain and Medina County and the Ohio Schools Council, have accepted the ownership, responsibility, and liability of Connect in order to provide exemplary service to member districts. The Superintendent/Executive Director of the three ESCs and Ohio Schools Council shall serve on Connect's Board of Directors. The purpose of Connect is applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Fiscal information for Connect is available from the Treasurer of the Education Service Center of Cuyahoga County (fiscal agent), located at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen 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 of Directors. During fiscal year 2016, the District paid \$1,627,808 to the LERC. 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.

Ohio Schools Council Association (the "Council")

The Ohio Schools Council Association (the "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 2016, the District paid \$16,239 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Council, at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants 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 District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

Classroom facilities fund - The classroom facilities fund is used to account for financial resources and expenditures related to the District's school facilities construction project.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs.

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 or 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 funds account for Ohio High School Athletic Association (OHSAA) events and student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net position 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position. 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 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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.

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 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.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources includes a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, accrued interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 appropriations 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.

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 the Lorain County Budget Commission for rate determination.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 appropriations 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 reflect 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 appropriations resolution is enacted by the Board of Education. Prior to the passage of the annual appropriations measure, the Board may pass a temporary appropriations measure to meet the ordinary expenditures of the District. The appropriations 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 appropriations 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 appropriations for that fund that covered the entire fiscal year, including amounts automatically carried over from the 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 basic financial statements.

During fiscal year 2016, investments were limited to federal agency securities, negotiable certificates of deposit, U.S. Government money market funds, and U.S. Treasury Notes (held by a fiscal agent). 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.

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 2016 amounted to \$21,944, which includes \$9,149 assigned from other District funds.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For presentation on the basic financial statements, 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 accounts at fiscal 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/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials 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 current assets.

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

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, 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.

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable” and “interfund loans payable”. These amounts are eliminated in the governmental activities column on the statement of net position.

**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 leave and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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 funds 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, net pension liability, and retirement incentive obligations that will be paid from governmental funds are reported as liabilities 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**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. The Treasurer is permitted by Board resolution to assign fund balance related to all District contracts that are not in excess of \$12,000.

*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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**M. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and special trust activity.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 expense/expenditure 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 basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic 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 expenses/expenditures 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 expenses/expenditures to the funds that initially paid for them are not presented on the basic financial statements.

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

On the government-wide and fund financial statements, bond issuance costs are expensed/expended during the fiscal year in which they are incurred.

On the government-wide financial statements, 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.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, 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 a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds' face value and the amount reported on the statement of net position is presented in Note 11.

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**S. 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 2016.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Title I	\$ 36,691
IDEA Part B	72,952
Improving teacher quality	1,062

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

**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:

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

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;
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 State Treasury Asset Reserve of Ohio (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.



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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**A. Cash with Fiscal Agents**

At June 30, 2016, the District had \$5,000 held by a fiscal agent in a bond and coupon account related to matured bond and interest, and \$6,243 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, 2016, the District had \$224,013 in federal agency securities and \$1,280,452 in U.S. Treasury Notes held by a fiscal agent related to the District's sinking fund deposits (See Note 11.C). These amounts are reported as "investment with fiscal agent" on the basic financial statements.

**C. Cash on Hand**

At June 30, 2016, the District had \$100 in cash on hand. This amount is reported as "equity in pooled cash and investments" on the basic financial statements.

**D. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$5,645,883. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$1,782,142 of the District's bank balance of \$5,648,068 was exposed to custodial risk as discussed below, while \$3,865,926 was covered by the FDIC.

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**E. Investments**

As of June 30, 2016, 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>
FHLB	\$ 150,096	\$ -	\$ -	\$ -	\$ -	\$ 150,096
FHLMC	805,278	-	-	-	-	805,278
FNMA	100,132	-	-	-	-	100,132
Negotiable CD's	497,925	-	248,645	-	249,280	-
U.S. Government money market	154,510	154,510	-	-	-	-
<b>Total</b>	<b>\$ 1,707,941</b>	<b>\$ 154,510</b>	<b>\$ 248,645</b>	<b>\$ -</b>	<b>\$ 249,280</b>	<b>\$ 1,055,506</b>

The weighted average maturity of investments is 2.64 years.

The District's investments in federal agency securities, negotiable certificates of deposit and U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

*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 (some of which are held by a fiscal agent) and U.S. Treasury Notes held by a fiscal agent were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's US government money market and negotiable certificates of deposit are not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury 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. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 150,096	8.79
FHLMC	805,278	47.15
FNMA	100,132	5.86
Negotiable CD's	497,925	29.15
U.S. Government money market	154,510	<u>9.05</u>
Total	<u>\$ 1,707,941</u>	<u>100.00</u>

**F. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,645,883
Investments	1,707,941
Cash on hand	100
Cash with fiscal agents	11,243
Investment with fiscal agent	<u>1,504,465</u>
Total	<u>\$ 8,869,632</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,821,942
Agency funds	<u>47,690</u>
Total	<u>\$ 8,869,632</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following, as reported on the fund financial statements:

<u>Transfer from the general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 35</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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 in 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, 2016 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 fund	Nonmajor governmental funds	\$ 128,000

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. The interfund balances are not 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$710,223 in the general fund, \$137,042 in the bond retirement fund and \$22,699 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2015 was \$470,432 in the general fund, \$116,206 in the bond retirement fund and \$20,274 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, 2016 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 deferred inflows of resources.

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 reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 228,290,890	95.05	\$ 240,076,130	95.06
Public utility personal	<u>11,897,870</u>	<u>4.95</u>	<u>12,483,050</u>	<u>4.94</u>
Total	<u>\$ 240,188,760</u>	<u>100.00</u>	<u>\$ 252,559,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.24		\$ 50.17	

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 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 list of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 9,053,276
Accounts	5,898
Intergovernmental	255,215
Accrued interest	<u>9,121</u>
Total receivables	<u>\$ 9,323,510</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, 2016, was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 521,816	\$ -	\$ -	\$ 521,816
Construction in progress	<u>19,585,236</u>	<u>690,355</u>	<u>(20,275,591)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>20,107,052</u>	<u>690,355</u>	<u>(20,275,591)</u>	<u>521,816</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,642,379	10,554	-	3,652,933
Buildings and improvements	31,737,700	20,275,591	-	52,013,291
Furniture and equipment	1,152,136	475,165	-	1,627,301
Vehicles	<u>1,327,333</u>	<u>-</u>	<u>(112,897)</u>	<u>1,214,436</u>
Total capital assets, being depreciated	<u>37,859,548</u>	<u>20,761,310</u>	<u>(112,897)</u>	<u>58,507,961</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,500,462)	(166,703)	-	(1,667,165)
Buildings and improvements	(8,773,681)	(927,962)	-	(9,701,643)
Furniture and equipment	(840,662)	(109,523)	-	(950,185)
Vehicles	<u>(1,081,146)</u>	<u>(53,192)</u>	<u>112,897</u>	<u>(1,021,441)</u>
Total accumulated depreciation	<u>(12,195,951)</u>	<u>(1,257,380)</u>	<u>112,897</u>	<u>(13,340,434)</u>
Governmental activities capital assets, net	<u>\$ 45,770,649</u>	<u>\$ 20,194,285</u>	<u>\$ (20,275,591)</u>	<u>\$ 45,689,343</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 832,614
Special	49,617
Vocational	1,388
Support services:	
Pupil	20,838
Instructional staff	17,800
Board of education	1,265
Administration	39,259
Fiscal	13,716
Operations and maintenance	82,406
Pupil transportation	69,997
Central	22,125
Operation of non-instructional services:	
Food service operations	19,022
Other non-instructional services	3,973
Extracurricular activities	<u>83,360</u>
Total depreciation expense	<u>\$ 1,257,380</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 accounting principles generally accepted in the United States of America, 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 \$56,000 during fiscal year 2016.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2016:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2017	\$ 80,877
2018	80,306
2019	79,649
2020	79,886
2021	79,993
2022 - 2024	<u>236,527</u>
Total minimum lease payments	637,238
Less: amount representing interest	<u>(97,238)</u>
Total	<u>\$ 540,000</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by accounting principles generally accepted in the United States of America, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

During fiscal year 2016, the prior capital lease was discontinued and the District entered into a new lease agreement. 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 \$396,598. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 for this equipment was \$39,660, leaving a current book value of \$356,938. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2016 totaled \$71,774 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 91,604
2018	91,604
2019	91,604
2020	<u>91,604</u>
Total minimum lease payments	366,416
Less: amount representing interest	<u>(41,592)</u>
Total	<u><u>\$ 324,824</u></u>

The prior capital lease principal balance of \$44,086 was forgiven.



**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>	<u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds - series 2010					
Current interest bonds	\$ 5,295,000	\$ -	\$ -	\$ 5,295,000	\$ -
Capital appreciation bonds	399,987	-	-	399,987	-
Accreted interest	175,191	48,796	-	223,987	-
Refunding bonds - series 2012					
Current interest bonds	8,310,000	-	(60,000)	8,250,000	60,000
Capital appreciation bonds	94,726	-	-	94,726	-
Accreted interest	99,818	52,974	-	152,792	-
Refunding bonds - series 2013					
Current interest bonds	4,125,000	-	(335,000)	3,790,000	405,000
Capital appreciation bonds	69,094	-	-	69,094	-
Accreted interest	81,368	57,237	-	138,605	-
Refunding bonds - series 2014					
Current interest bonds	5,790,000	-	(15,000)	5,775,000	15,000
Capital appreciation bonds	4,978	-	-	4,978	-
Accreted interest	1,159	1,431	-	2,590	-
Total general obligation bonds	<u>24,446,321</u>	<u>160,438</u>	<u>(410,000)</u>	<u>24,196,759</u>	<u>480,000</u>
Lease-purchase agreement	596,000	-	(56,000)	540,000	59,000
Capital lease obligation	44,086	396,598	(115,860)	324,824	75,363
Net pension liability	19,946,026	1,041,535	-	20,987,561	-
Retirement incentive	37,779	17,800	(37,779)	17,800	17,800
Compensated absences	547,745	124,384	(183,433)	488,696	110,334
Total governmental activities long-term liabilities	<u>\$ 45,617,957</u>	<u>\$ 1,740,755</u>	<u>\$ (803,072)</u>	<u>46,555,640</u>	<u>\$ 742,497</u>
Unamortized bond premiums				<u>1,290,789</u>	
Total on statement of net position				<u>\$ 47,846,429</u>	

**KEYSTONE LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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. The issue was comprised of both current interest bonds, par value \$11,100,000, and capital appreciation bonds, par value \$399,987. The proceeds of these bonds were used for the purpose of improving school facilities. During fiscal year 2014, a portion of the series 2010 general obligation bonds was refunded in the amount of \$5,805,000. The remaining balance of series 2010 current interest bonds matures on December 1, 2028 at an interest rate of 6.75%. 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 \$223,987 for series 2010 has been included on the statement of net position at June 30, 2016. Principal and interest payments are made from the bond retirement fund.

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

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 position.

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 (stated 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. Total accreted interest of \$152,792 for series 2012 has been included on the statement of net position at June 30, 2016. Principal and interest payments are made from the bond retirement 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, as a deferred outflow of resources on the statement of net position.

Series 2013 Refunding General Obligation Bonds

On January 3, 2013, the District issued general obligation bonds (series 2013 refunding bonds) to refund the remaining series 2004 general obligation current interest bonds in the amount of \$4,340,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The refunding issue is comprised of both current interest bonds, par value \$4,270,000, and capital appreciation bonds, par value \$69,094. The interest rates on the current interest bonds range from 2.00%-2.50%. The capital appreciation bonds mature on December 1, 2018 (stated interest rate 35.00%) 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, 2018 is \$465,000. Total accreted interest of \$138,605 for series 2013 has been included on the statement of net position at June 30, 2016. Principal and interest payments are made from the bond retirement 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, 2030.

The reacquisition price exceeded the net carrying amount of the old debt by \$309,432. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Series 2014 Refunding General Obligation Bonds

On June 2, 2014, the District issued general obligation bonds (series 2014 refunding bonds) to refund a portion of the series 2010 general obligation current interest bonds in the amount of \$5,805,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$5,800,000, and capital appreciation bonds, par value \$4,978. The interest rates on the current interest bonds range from 2.00%-4.50%. The capital appreciation bonds mature on December 1, 2031 (stated interest rate 22.10%) 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, 2031 is \$195,000. Total accreted interest of \$2,590 for series 2014 has been included on the statement of net position at June 30, 2016. Principal and interest payments are made from the bond retirement 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, 2040.

The net carrying amount of the old debt exceeded the reacquisition price by \$49,833. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

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.

Net Pension Liability

See Note 13 for detail on the District's net pension liability.

**KEYSTONE LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

Retirement Incentive

During fiscal year 2016, 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 employees' 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, 2016, the District's liability for this retirement incentive plan was \$17,800. The entire balance is recorded as early retirement incentive payable in the general fund.

- B.** The following tables summarize the District's future annual debt service requirements to maturity for bonds payable:

Fiscal Year	Current Interest - Refunding Series 2010			Capital Appreciation - Refunding Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 357,413	\$ 357,413	\$ -	\$ -	\$ -
2018	-	357,412	357,412	-	-	-
2019	-	357,413	357,413	-	-	-
2020	-	357,412	357,412	-	-	-
2021	-	357,413	357,413	-	-	-
2022 - 2026	-	1,787,062	1,787,062	-	-	-
2027 - 2031	5,295,000	893,532	6,188,532	179,534	695,466	875,000
2032 - 2034	-	-	-	220,453	1,094,547	1,315,000
<b>Total</b>	<b>\$ 5,295,000</b>	<b>\$ 4,467,657</b>	<b>\$ 9,762,657</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
2017	\$ 60,000	\$ 270,975	\$ 330,975	\$ -	\$ -	\$ -
2018	60,000	269,775	329,775	-	-	-
2019	65,000	268,525	333,525	-	-	-
2020	-	267,875	267,875	94,726	480,274	575,000
2021	600,000	255,875	855,875	-	-	-
2022 - 2026	4,065,000	865,912	4,930,912	-	-	-
2027 - 2029	3,400,000	159,150	3,559,150	-	-	-
<b>Total</b>	<b>\$ 8,250,000</b>	<b>\$ 2,358,087</b>	<b>\$ 10,608,087</b>	<b>\$ 94,726</b>	<b>\$ 480,274</b>	<b>\$ 575,000</b>

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

Fiscal Year	Current Interest - Refunding Series 2013			Capital Appreciation - Refunding Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 405,000	\$ 86,500	\$ 491,500	\$ -	\$ -	\$ -
2018	435,000	78,100	513,100	-	-	-
2019	-	73,750	73,750	69,094	395,906	465,000
2020	-	73,750	73,750	-	-	-
2021	-	73,750	73,750	-	-	-
2022 - 2026	-	368,750	368,750	-	-	-
2027 - 2031	2,950,000	295,875	3,245,875	-	-	-
<b>Total</b>	<b>\$ 3,790,000</b>	<b>\$ 1,050,475</b>	<b>\$ 4,840,475</b>	<b>\$ 69,094</b>	<b>\$ 395,906</b>	<b>\$ 465,000</b>

Fiscal Year	Current Interest - Refunding Series 2014			Capital Appreciation - Refunding Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 15,000	\$ 224,363	\$ 239,363	\$ -	\$ -	\$ -
2018	15,000	224,062	239,062	-	-	-
2019	15,000	223,763	238,763	-	-	-
2020	15,000	223,462	238,462	-	-	-
2021	15,000	223,163	238,163	-	-	-
2022 - 2026	85,000	1,108,344	1,193,344	-	-	-
2027 - 2031	100,000	1,089,375	1,189,375	-	-	-
2032 - 2036	2,825,000	833,805	3,658,805	4,978	190,022	195,000
2037 - 2041	2,690,000	266,563	2,956,563	-	-	-
<b>Total</b>	<b>\$ 5,775,000</b>	<b>\$ 4,416,900</b>	<b>\$ 10,191,900</b>	<b>\$ 4,978</b>	<b>\$ 190,022</b>	<b>\$ 195,000</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	
	Due	Deposited
2012	\$ 215,000	\$ 215,000
2013	290,000	290,000
2014	290,000	290,000
2015	300,000	300,000
2016	300,000	300,000
2017 - 2021	1,500,000	-
2022 - 2026	1,500,000	-
2027 - 2029	900,000	-
	<u>\$ 5,295,000</u>	<u>\$ 1,395,000</u>

**KEYSTONE LOCAL SCHOOL DISTRICT  
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**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, 2016, are a voted debt margin of \$1,598,640 (including available funds of \$2,547,099) and an unvoted debt margin of \$252,559. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, 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 85% to 86.5% of the monthly insurance premium for single and family coverage for employees working thirty hours or more. Any employee who is scheduled to work between twenty and thirty hours per week 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.

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See 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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The workers' compensation experience of the participating 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 districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment obligation payable* on both the accrual and modified accrual bases of accounting.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$267,624 for fiscal year 2016. Of this amount, \$15,588 is reported as pension and postemployment obligation payable.



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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$882,416 for fiscal year 2016. Of this amount, \$155,048 is reported as pension and postemployment obligation payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,652,963	\$ 17,334,598	\$ 20,987,561
Proportion of the net pension liability	0.06401860%	0.06272226%	
Pension expense	\$ 163,333	\$ 650,520	\$ 813,853

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 60,427	\$ 798,968	\$ 859,395
District contributions subsequent to the measurement date	<u>267,624</u>	<u>882,416</u>	<u>1,150,040</u>
Total deferred outflows of resources	<u>\$ 328,051</u>	<u>\$ 1,681,384</u>	<u>\$ 2,009,435</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 150,348	\$ 1,414,443	\$ 1,564,791
Changes in proportionate share	<u>182,510</u>	<u>1,135,622</u>	<u>1,318,132</u>
Total deferred inflows of resources	<u>\$ 332,858</u>	<u>\$ 2,550,065</u>	<u>\$ 2,882,923</u>

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

\$1,150,040 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (111,593)	\$ (618,250)	\$ (729,843)
2018	(111,593)	(618,250)	(729,843)
2019	(111,590)	(618,252)	(729,842)
2020	<u>62,345</u>	<u>103,655</u>	<u>166,000</u>
Total	<u>\$ (272,431)</u>	<u>\$ (1,751,097)</u>	<u>\$ (2,023,528)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,065,348	\$ 3,652,963	\$ 2,463,619

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 24,079,064	\$ 17,334,598	\$ 11,631,146

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$31,573.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$31,573, \$51,271, and \$37,625, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$72,180, respectively. The full amount has been contributed for fiscal year 2014.

**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, disbursements and encumbrances.

The statement of revenues, 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);

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

- (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).

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	\$ 218,248
Net adjustment for revenue accruals	357,934
Net adjustment for expenditure accruals	(405,813)
Net adjustment for other sources/uses	623,381
Funds budgeted elsewhere	54,987
Adjustment for encumbrances	311,892
GAAP basis	<u>\$ 1,160,629</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 public school support fund, KeyCare fund, employee benefits fund and termination benefits fund.

**NOTE 16 - CONTINGENCIES**

**A. Litigation**

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

**B. Grants**

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



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 - CONTINGENCIES - (Continued)**

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**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 and other applicable offsets 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, 2015	\$ -
Current year set-aside requirement	293,195
Current year offsets	(258,330)
Prior year offset from bond proceeds	<u>(34,865)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<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 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 \$27,907,444 at June 30, 2016.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	Year End <u>Encumbrances</u>
General fund	\$ 290,951
Classroom facilities fund	18,800
Nonmajor governmental funds	<u>111,078</u>
Total	<u>\$ 420,829</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.06401860%	0.06877700%	0.06877700%
District's proportionate share of the net pension liability	\$ 3,652,963	\$ 3,480,765	\$ 4,089,947
District's covered-employee payroll	\$ 1,927,291	\$ 1,998,528	\$ 2,048,027
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	199.70%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.06272226%	0.06769292%	0.06769292%
District's proportionate share of the net pension liability	\$ 17,334,598	\$ 16,465,261	\$ 19,613,311
District's covered-employee payroll	\$ 6,555,057	\$ 6,916,354	\$ 7,108,231
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.45%	238.06%	275.92%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 267,624	\$ 254,017	\$ 276,996	\$ 283,447
Contributions in relation to the contractually required contribution	<u>(267,624)</u>	<u>(254,017)</u>	<u>(276,996)</u>	<u>(283,447)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,911,600	\$ 1,927,291	\$ 1,998,528	\$ 2,048,027
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 282,992	\$ 252,605	\$ 260,604	\$ 185,415	\$ 174,284	\$ 187,129
<u>(282,992)</u>	<u>(252,605)</u>	<u>(260,604)</u>	<u>(185,415)</u>	<u>(174,284)</u>	<u>(187,129)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,104,030	\$ 2,009,586	\$ 1,924,697	\$ 1,884,299	\$ 1,774,786	\$ 1,752,144
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 882,416	\$ 917,708	\$ 899,126	\$ 924,070
Contributions in relation to the contractually required contribution	<u>(882,416)</u>	<u>(917,708)</u>	<u>(899,126)</u>	<u>(924,070)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,302,971	\$ 6,555,057	\$ 6,916,354	\$ 7,108,231
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 904,448	\$ 891,185	\$ 855,326	\$ 797,113	\$ 779,379	\$ 768,000
<u>(904,448)</u>	<u>(891,185)</u>	<u>(855,326)</u>	<u>(797,113)</u>	<u>(779,379)</u>	<u>(768,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,957,292	\$ 6,855,269	\$ 6,579,431	\$ 6,131,638	\$ 5,995,223	\$ 5,907,692
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

COMBINING STATEMENTS  
AND INDIVIDUAL FUND SCHEDULES

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

**MAJOR FUNDS**

**General Fund**

The general fund is used to account for resources traditionally associated with a school district that 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.

**Bond Retirement Fund**

This fund is used to account for bond levy proceeds that are accumulated for the future repayment of principal and interest on the general obligation debt of the District.

**Classroom Facilities Fund**

The classroom facilities fund is used to account for financial resources and expenditures related to the school facilities construction project.

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Bond Retirement</b>			
Total Revenues and Other Sources	\$ 1,746,705	\$ 1,733,567	\$ (13,138)
Total Expenditures and Other Uses	<u>1,389,629</u>	<u>1,384,093</u>	<u>5,536</u>
Net Change in Fund Balances	357,076	349,474	(7,602)
Fund Balance, July 1	<u>2,024,678</u>	<u>2,024,678</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 2,381,754</u></u>	<u><u>\$ 2,374,152</u></u>	<u><u>\$ (7,602)</u></u>
<b>Classroom Facilities</b>			
Total Revenues and Other Sources	\$ 2,412,318	\$ 2,412,696	\$ 378
Total Expenditures and Other Uses	<u>5,725,657</u>	<u>4,686,219</u>	<u>1,039,438</u>
Net Change in Fund Balances	(3,313,339)	(2,273,523)	1,039,816
Fund Balance (Deficit), July 1	(548,138)	(548,138)	-
Prior Year Encumbrances Appropriated	<u>5,027,715</u>	<u>5,027,715</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u><u>\$ 1,166,238</u></u>	<u><u>\$ 2,206,054</u></u>	<u><u>\$ 1,039,816</u></u>

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

**Nonmajor Special Revenue Funds**

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

**Food Services Fund**

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

**School Trusts Fund**

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

**Other Local Grants Fund**

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

**Classroom Facilities Maintenance Fund**

This fund accounts for the accumulation of earmarked proceeds from an existing permanent improvement levy that are to be used for the maintenance of facilities.

**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 that provide services and materials to pupils attending non-public schools within the District.

**Data Communication Fund**

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

**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 Standards and Assessments, Using Data to Improve Instruction, Great Teachers and Leaders and/or Turning Around the Lowest-Achieving Schools.

**IDEA Part B Fund**

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

**Title III - Limited English Proficiency**

This program is designed to help meet the educational needs of children of limited english proficiency.

**Title I Fund**

To account for funds intended 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 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.

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

**Nonmajor Special Revenue Funds (Continued)**

**Title II-A Fund**

This fund accounts for a federal grant aimed at reducing class sizes throughout the District.

**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 purposes or activities connected with the District's various schools.

**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 assigned to expenditures for specified purposes approved by Board of Education 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.

**Nonmajor Capital Projects Funds**

Capital projects 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 construction and acquiring of permanent improvements.

**Building 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.

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

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<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. . . . .	\$ 699,120	\$ 822,909	\$ 1,522,029
Receivables:			
Property taxes . . . . .	132,131	234,780	366,911
Intergovernmental . . . . .	149,913	-	149,913
Materials and supplies inventory . . . . .	3,475	-	3,475
Inventory held for resale. . . . .	9,230	-	9,230
Total assets. . . . .	\$ 993,869	\$ 1,057,689	\$ 2,051,558
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 5,730	\$ -	\$ 5,730
Accrued wages and benefits payables . . . . .	47,350	-	47,350
Pension and postemployment obligation payable. . . . .	14,768	-	14,768
Intergovernmental payable . . . . .	640	-	640
Interfund loans payable. . . . .	128,000	-	128,000
Total liabilities. . . . .	196,488	-	196,488
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	132,131	199,998	332,129
Delinquent property tax revenue not available . . . . .	-	12,083	12,083
Intergovernmental revenue not available. . . . .	123,088	-	123,088
Total deferred inflows of resources . . . . .	255,219	212,081	467,300
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	3,475	-	3,475
Restricted:			
Capital improvements . . . . .	-	845,533	845,533
Classroom facilities maintenance . . . . .	294,908	-	294,908
Food service operations . . . . .	298,658	-	298,658
Non-public schools . . . . .	27,265	-	27,265
Extracurricular activities . . . . .	1,496	-	1,496
Other purposes. . . . .	19,590	-	19,590
Committed:			
Capital improvements . . . . .	-	75	75
Assigned:			
Other purposes. . . . .	7,475	-	7,475
Unassigned (deficit). . . . .	(110,705)	-	(110,705)
Total fund balances . . . . .	542,162	845,608	1,387,770
Total liabilities, deferred inflows of resources and fund balances. . . . .	\$ 993,869	\$ 1,057,689	\$ 2,051,558



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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 132,131	\$ 94,064	\$ 226,195
Charges for services . . . . .	316,062	-	316,062
Earnings on investments . . . . .	853	-	853
Extracurricular. . . . .	72,874	-	72,874
Contributions and donations . . . . .	36,536	-	36,536
Other local revenues . . . . .	2,732	41,344	44,076
Intergovernmental - state . . . . .	75,609	34,560	110,169
Intergovernmental - federal . . . . .	608,620	-	608,620
Total revenues . . . . .	<u>1,245,417</u>	<u>169,968</u>	<u>1,415,385</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	24,992	15,781	40,773
Special . . . . .	313,536	-	313,536
Support services:			
Pupil . . . . .	102,572	-	102,572
Instructional staff. . . . .	51,386	36,767	88,153
Fiscal . . . . .	-	4,813	4,813
Operations and maintenance . . . . .	54,773	-	54,773
Central . . . . .	5,400	5,127	10,527
Operation of non-instructional services:			
Food service operations. . . . .	545,600	-	545,600
Other non-instructional services. . . . .	53,383	-	53,383
Extracurricular activities. . . . .	76,536	-	76,536
Facilities acquisition and construction . . . . .	48,159	680,366	728,525
Debt service:			
Principal retirement. . . . .	-	56,000	56,000
Interest and fiscal charges . . . . .	-	25,478	25,478
Total expenditures . . . . .	<u>1,276,337</u>	<u>824,332</u>	<u>2,100,669</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(30,920)</u>	<u>(654,364)</u>	<u>(685,284)</u>
<b>Other financing sources:</b>			
Transfers in. . . . .	35	-	35
Total other financing sources . . . . .	<u>35</u>	<u>-</u>	<u>35</u>
Net change in fund balances . . . . .	(30,885)	(654,364)	(685,249)
<b>Fund balances, July 1 . . . . .</b>	<u>573,047</u>	<u>1,499,972</u>	<u>2,073,019</u>
<b>Fund balances, June 30. . . . .</b>	<u>\$ 542,162</u>	<u>\$ 845,608</u>	<u>\$ 1,387,770</u>

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

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Classroom Facilities Maintenance</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 296,523	\$ 7,475	\$ 19,590	\$ 294,908
Receivables:				
Property taxes . . . . .	-	-	-	132,131
Intergovernmental . . . . .	26,825	-	-	-
Materials and supplies inventory . . . . .	3,475	-	-	-
Inventory held for resale . . . . .	9,230	-	-	-
Total assets . . . . .	<u>\$ 336,053</u>	<u>\$ 7,475</u>	<u>\$ 19,590</u>	<u>\$ 427,039</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 4,640	\$ -	\$ -	\$ -
Accrued wages and benefits payable . . . . .	18,845	-	-	-
Pension and postemployment obligation payable . . . . .	10,209	-	-	-
Intergovernmental payable . . . . .	226	-	-	-
Interfund loans payable . . . . .	-	-	-	-
Total liabilities . . . . .	<u>33,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	-	-	-	132,131
Intergovernmental revenue not available . . . . .	-	-	-	-
Total deferred inflows of resources . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,131</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	3,475	-	-	-
Restricted:				
Classroom facilities maintenance . . . . .	-	-	-	294,908
Food service operations . . . . .	298,658	-	-	-
Non-public schools . . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	-
Other purposes . . . . .	-	-	19,590	-
Assigned:				
Other purposes . . . . .	-	7,475	-	-
Unassigned (deficit) . . . . .	-	-	-	-
Total fund balances (deficits) . . . . .	<u>302,133</u>	<u>7,475</u>	<u>19,590</u>	<u>294,908</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 336,053</u>	<u>\$ 7,475</u>	<u>\$ 19,590</u>	<u>\$ 427,039</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>IDEA Part B</u>	<u>Title I</u>	<u>Title II-A</u>
\$ 2,586	\$ 27,265	\$ 46,183	\$ 2,652	\$ 1,938
-	-	-	-	-
-	-	95,670	24,863	2,555
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,586</u>	<u>\$ 27,265</u>	<u>\$ 141,853</u>	<u>\$ 27,515</u>	<u>\$ 4,493</u>
\$ 1,090	\$ -	\$ -	\$ -	\$ -
-	-	7,418	21,087	-
-	-	1,609	2,950	-
-	-	108	306	-
-	-	110,000	15,000	3,000
<u>1,090</u>	<u>-</u>	<u>119,135</u>	<u>39,343</u>	<u>3,000</u>
-	-	-	-	-
-	-	95,670	24,863	2,555
-	-	95,670	24,863	2,555
-	-	-	-	-
-	-	-	-	-
-	27,265	-	-	-
1,496	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	(72,952)	(36,691)	(1,062)
<u>1,496</u>	<u>27,265</u>	<u>(72,952)</u>	<u>(36,691)</u>	<u>(1,062)</u>
<u>\$ 2,586</u>	<u>\$ 27,265</u>	<u>\$ 141,853</u>	<u>\$ 27,515</u>	<u>\$ 4,493</u>

- (Continued)

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

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2016

	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 699,120
Receivables:	
Property taxes . . . . .	132,131
Intergovernmental . . . . .	149,913
Materials and supplies inventory . . . . .	3,475
Inventory held for resale. . . . .	9,230
Total assets. . . . .	\$ 993,869
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 5,730
Accrued wages and benefits payables . . . . .	47,350
Pension and postemployment obligation payable. . . . .	14,768
Intergovernmental payable . . . . .	640
Interfund loans payable. . . . .	128,000
Total liabilities. . . . .	196,488
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	132,131
Intergovernmental revenue not available. . . . .	123,088
Total deferred inflows of resources . . . . .	255,219
<b>Fund balances:</b>	
Nonspendable:	
Materials and supplies inventory. . . . .	3,475
Restricted:	
Classroom facilities maintenance . . . . .	294,908
Food service operations . . . . .	298,658
Non-public schools . . . . .	27,265
Extracurricular activities . . . . .	1,496
Other purposes. . . . .	19,590
Assigned:	
Other purposes. . . . .	7,475
Unassigned (deficit). . . . .	(110,705)
Total fund balances . . . . .	542,162
Total liabilities, deferred inflows of resources and fund balances. . . . .	\$ 993,869

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Classroom Facilities Maintenance</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ -	\$ -	\$ -	\$ 132,131
Charges for services . . . . .	316,062	-	-	-
Earnings on investments . . . . .	807	-	-	-
Extracurricular. . . . .	-	-	-	-
Contributions and donations . . . . .	-	24,500	12,036	-
Other local revenues . . . . .	2,695	-	-	-
Intergovernmental - state . . . . .	4,099	-	-	-
Intergovernmental - federal . . . . .	245,523	-	-	-
Total revenues . . . . .	<u>569,186</u>	<u>24,500</u>	<u>12,036</u>	<u>132,131</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	-	24,500	492	-
Special . . . . .	-	-	-	-
Support services:				
Pupil . . . . .	-	-	3,875	-
Instructional staff . . . . .	-	-	-	-
Operations and maintenance . . . . .	-	-	-	54,773
Central . . . . .	-	-	-	-
Operation of non-instructional services:				
Food service operations. . . . .	545,600	-	-	-
Other non-instructional services. . . . .	-	-	-	-
Extracurricular activities. . . . .	-	-	-	-
Facilities acquisition and construction. . . . .	-	-	-	48,159
Total expenditures . . . . .	<u>545,600</u>	<u>24,500</u>	<u>4,367</u>	<u>102,932</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>23,586</u>	<u>-</u>	<u>7,669</u>	<u>29,199</u>
<b>Other financing sources:</b>				
Transfers in. . . . .	35	-	-	-
Total other financing sources . . . . .	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	23,621	-	7,669	29,199
<b>Fund balances (deficit), July 1 . . . . .</b>	<u>278,512</u>	<u>7,475</u>	<u>11,921</u>	<u>265,709</u>
<b>Fund balances (deficit), June 30 . . . . .</b>	<u>\$ 302,133</u>	<u>\$ 7,475</u>	<u>\$ 19,590</u>	<u>\$ 294,908</u>

<b>Student Activity</b>	<b>Auxiliary Services</b>	<b>Data Communication</b>	<b>Race to the Top</b>	<b>IDEA Part B</b>	<b>Title III- Limited English Proficiency</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	46	-	-	-	-
72,874	-	-	-	-	-
-	-	-	-	-	-
37	-	-	-	-	-
-	66,110	5,400	-	-	-
-	-	-	-	180,405	172
<u>72,911</u>	<u>66,156</u>	<u>5,400</u>	<u>-</u>	<u>180,405</u>	<u>172</u>
-	-	-	-	-	-
-	-	-	-	157,425	-
-	-	-	-	98,697	-
-	-	-	(5)	-	172
-	-	-	-	-	-
-	-	5,400	-	-	-
-	-	-	-	-	-
-	53,383	-	-	-	-
76,536	-	-	-	-	-
-	-	-	-	-	-
<u>76,536</u>	<u>53,383</u>	<u>5,400</u>	<u>(5)</u>	<u>256,122</u>	<u>172</u>
<u>(3,625)</u>	<u>12,773</u>	<u>-</u>	<u>5</u>	<u>(75,717)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
(3,625)	12,773	-	5	(75,717)	-
5,121	14,492	-	(5)	2,765	-
<u>\$ 1,496</u>	<u>\$ 27,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,952)</u>	<u>\$ -</u>

- (Continued)

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Title I</u>	<u>Title II-A</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ -	\$ -	\$ 132,131
Charges for services . . . . .	-	-	316,062
Earnings on investments . . . . .	-	-	853
Extracurricular . . . . .	-	-	72,874
Contributions and donations . . . . .	-	-	36,536
Other local revenues . . . . .	-	-	2,732
Intergovernmental - state . . . . .	-	-	75,609
Intergovernmental - federal . . . . .	144,722	37,798	608,620
Total revenues . . . . .	<u>144,722</u>	<u>37,798</u>	<u>1,245,417</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	-	-	24,992
Special . . . . .	156,111	-	313,536
Support services:			
Pupil . . . . .	-	-	102,572
Instructional staff . . . . .	14,042	37,177	51,386
Operations and maintenance . . . . .	-	-	54,773
Central . . . . .	-	-	5,400
Operation of non-instructional services:			
Food service operations . . . . .	-	-	545,600
Other non-instructional services . . . . .	-	-	53,383
Extracurricular activities . . . . .	-	-	76,536
Facilities acquisition and construction . . . . .	-	-	48,159
Total expenditures . . . . .	<u>170,153</u>	<u>37,177</u>	<u>1,276,337</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(25,431)</u>	<u>621</u>	<u>(30,920)</u>
<b>Other financing sources:</b>			
Transfers in . . . . .	-	-	35
Total other financing sources . . . . .	-	-	35
Net change in fund balances . . . . .	(25,431)	621	(30,885)
<b>Fund balances (deficit), July 1 . . . . .</b>	<u>(11,260)</u>	<u>(1,683)</u>	<u>573,047</u>
<b>Fund balances (deficit), June 30 . . . . .</b>	<u>\$ (36,691)</u>	<u>\$ (1,062)</u>	<u>\$ 542,162</u>



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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 538,702	\$ 504,917	\$ (33,785)
Total Expenditures and Other Uses	<u>530,771</u>	<u>516,391</u>	<u>14,380</u>
Net Change in Fund Balances	7,931	(11,474)	(19,405)
Fund Balance, July 1	<u>297,509</u>	<u>297,509</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 305,440</u>	<u>\$ 286,035</u>	<u>\$ (19,405)</u>
<b>School Trusts</b>			
Total Revenues and Other Sources	\$ 24,500	\$ 24,500	\$ -
Total Expenditures and Other Uses	<u>25,000</u>	<u>24,500</u>	<u>500</u>
Net Change in Fund Balances	(500)	-	500
Fund Balance, July 1	<u>7,475</u>	<u>7,475</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 6,975</u>	<u>\$ 7,475</u>	<u>\$ 500</u>
<b>Other Local Grants</b>			
Total Revenues and Other Sources	\$ 19,791	\$ 12,036	\$ (7,755)
Total Expenditures and Other Uses	<u>6,388</u>	<u>4,367</u>	<u>2,021</u>
Net Change in Fund Balances	13,403	7,669	(5,734)
Fund Balance, July 1	<u>11,921</u>	<u>11,921</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 25,324</u>	<u>\$ 19,590</u>	<u>\$ (5,734)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Classroom Facilities Maintenance</b>			
Total Revenues and Other Sources	\$ 132,131	\$ 132,131	\$ -
Total Expenditures and Other Uses	<u>148,504</u>	<u>121,732</u>	<u>26,772</u>
Net Change in Fund Balances	(16,373)	10,399	26,772
Fund Balance, July 1	254,909	254,909	-
Prior Year Encumbrances Appropriated	<u>10,800</u>	<u>10,800</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 249,336</u></u>	<u><u>\$ 276,108</u></u>	<u><u>\$ 26,772</u></u>
<b>Student Activity</b>			
Total Revenues and Other Sources	\$ 76,471	\$ 72,911	\$ (3,560)
Total Expenditures and Other Uses	<u>76,972</u>	<u>76,536</u>	<u>436</u>
Net Change in Fund Balances	(501)	(3,625)	(3,124)
Fund Balance, July 1	<u>5,121</u>	<u>5,121</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 4,620</u></u>	<u><u>\$ 1,496</u></u>	<u><u>\$ (3,124)</u></u>
<b>Auxiliary Services</b>			
Total Revenues and Other Sources	\$ 66,132	\$ 66,156	\$ 24
Total Expenditures and Other Uses	<u>80,857</u>	<u>55,103</u>	<u>25,754</u>
Net Change in Fund Balances	(14,725)	11,053	25,778
Fund Balance, July 1	10,412	10,412	-
Prior Year Encumbrances Appropriated	<u>4,333</u>	<u>4,333</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 20</u></u>	<u><u>\$ 25,798</u></u>	<u><u>\$ 25,778</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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>5,400</u>	<u>5,400</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>IDEA Part B</b>			
Total Revenues and Other Sources	\$ 368,673	\$ 327,156	\$ (41,517)
Total Expenditures and Other Uses	<u>368,673</u>	<u>327,156</u>	<u>41,517</u>
Net Change in Fund Balances	-	-	-
Fund Balance (Deficit), July 1	(17,919)	(17,919)	-
Prior Year Encumbrances Appropriated	<u>17,919</u>	<u>17,919</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Title III - Limited English Proficiency</b>			
Total Revenues and Other Sources	\$ 172	\$ 172	\$ -
Total Expenditures and Other Uses	<u>172</u>	<u>172</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Title I</b>			
Total Revenues and Other Sources	\$ 179,584	\$ 169,722	\$ (9,862)
Total Expenditures and Other Uses	<u>181,691</u>	<u>170,524</u>	<u>11,167</u>
Net Change in Fund Balances	(2,107)	(802)	1,305
Fund Balance, July 1	<u>2,107</u>	<u>2,107</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 1,305</u>	<u>\$ 1,305</u>
<b>Title II-A</b>			
Total Revenues and Other Sources	\$ 40,462	\$ 40,895	\$ 433
Total Expenditures and Other Uses	<u>41,157</u>	<u>41,132</u>	<u>25</u>
Net Change in Fund Balances	(695)	(237)	458
Fund Balance, July 1	97	97	-
Prior Year Encumbrances Appropriated	<u>586</u>	<u>586</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ (12)</u>	<u>\$ 446</u>	<u>\$ 458</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<b>Variance with Final Budget- Over (Under)</b>
	<u>Final</u>	<u>Actual</u>	
<b>Uniform School Supplies</b>			
Total Expenditures and Other Uses	\$ -	\$ 1	\$ (1)
Net Change in Fund Balances	-	(1)	(1)
Fund Balance, July 1	<u>1</u>	<u>1</u>	-
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>
<b>Public School Support</b>			
Total Revenues and Other Sources	\$ 75,685	\$ 67,286	\$ (8,399)
Total Expenditures and Other Uses	<u>75,916</u>	<u>68,551</u>	<u>7,365</u>
Net Change in Fund Balances	(231)	(1,265)	(1,034)
Fund Balance, July 1	37,913	37,913	-
Prior Year Encumbrances Appropriated	<u>7,209</u>	<u>7,209</u>	-
Fund Balance, June 30	<u>\$ 44,891</u>	<u>\$ 43,857</u>	<u>\$ (1,034)</u>
<b>KeyCare</b>			
Total Revenues and Other Sources	\$ 88,699	\$ 96,862	\$ 8,163
Total Expenditures and Other Uses	<u>112,395</u>	<u>107,068</u>	<u>5,327</u>
Net Change in Fund Balances	(23,696)	(10,206)	13,490
Fund Balance, July 1	71,700	71,700	-
Prior Year Encumbrances Appropriated	<u>100</u>	<u>100</u>	-
Fund Balance, June 30	<u>\$ 48,104</u>	<u>\$ 61,594</u>	<u>\$ 13,490</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 1,980	\$ 2,556	\$ 576
Total Expenditures and Other Uses	<u>16,411</u>	<u>10,411</u>	<u>6,000</u>
Net Change in Fund Balances	(14,431)	(7,855)	6,576
Fund Balance, July 1	26,731	26,731	-
Prior Year Encumbrances Appropriated	<u>1,690</u>	<u>1,690</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 13,990</u>	<u>\$ 20,566</u>	<u>\$ 6,576</u>
<b>Termination Benefits</b>			
Total Revenues and Other Sources	\$ 140,000	\$ 140,000	\$ -
Total Expenditures and Other Uses	<u>140,571</u>	<u>140,571</u>	<u>-</u>
Net Change in Fund Balances	(571)	(571)	-
Fund Balance, July 1	<u>579</u>	<u>579</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ -</u>

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

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2016

	<b>Permanent Improvement</b>	<b>Building</b>	<b>Other Capital Projects</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 489,883	\$ 332,961	\$ 75	\$ 822,909
Receivables:				
Property taxes . . . . .	234,780	-	-	234,780
Total assets. . . . .	\$ 724,663	\$ 332,961	\$ 75	\$ 1,057,689
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . .	\$ 199,998	\$ -	\$ -	\$ 199,998
Delinquent property tax revenue not available . .	12,083	-	-	12,083
Total deferred inflows of resources . . . . .	212,081	-	-	212,081
<b>Fund balances:</b>				
Restricted:				
Capital improvements . . . . .	512,582	332,951	-	845,533
Committed:				
Capital improvements . . . . .	-	-	75	75
Total fund balances . . . . .	512,582	332,951	75	845,608
Total liabilities, deferred inflows of resources and fund balances. . . . .	\$ 724,663	\$ 332,951	\$ 75	\$ 1,057,689



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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Other Capital Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 94,064	\$ -	\$ -	\$ 94,064
Other local revenues . . . . .	41,344	-	-	41,344
Intergovernmental - state . . . . .	34,560	-	-	34,560
Total revenues . . . . .	<u>169,968</u>	<u>-</u>	<u>-</u>	<u>169,968</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	15,781	-	-	15,781
Support services:				
Instructional staff . . . . .	36,767	-	-	36,767
Fiscal . . . . .	4,813	-	-	4,813
Central . . . . .	5,127	-	-	5,127
Facilities acquisition and construction . . . . .	103,115	533,503	43,748	680,366
Debt service:				
Principal retirement . . . . .	56,000	-	-	56,000
Interest and fiscal charges . . . . .	25,478	-	-	25,478
Total expenditures . . . . .	<u>247,081</u>	<u>533,503</u>	<u>43,748</u>	<u>824,332</u>
Excess of expenditures over revenues . . . . .	<u>(77,113)</u>	<u>(533,503)</u>	<u>(43,748)</u>	<u>(654,364)</u>
Net change in fund balances . . . . .	(77,113)	(533,503)	(43,748)	(654,364)
<b>Fund balances, July 1 . . . . .</b>	<u>589,695</u>	<u>866,454</u>	<u>43,823</u>	<u>1,499,972</u>
<b>Fund balances, June 30 . . . . .</b>	<u>\$ 512,582</u>	<u>\$ 332,951</u>	<u>\$ 75</u>	<u>\$ 845,608</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 258,361	\$ 167,543	\$ (90,818)
Total Expenditures and Other Uses	<u>302,754</u>	<u>282,775</u>	<u>19,979</u>
Net Change in Fund Balances	(44,393)	(115,232)	(70,839)
Fund Balance, July 1	492,694	492,694	-
Prior Year Encumbrances Appropriated	<u>94,040</u>	<u>94,040</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 542,341</u></u>	<u><u>\$ 471,502</u></u>	<u><u>\$ (70,839)</u></u>
<b>Building</b>			
Total Expenditures and Other Uses	<u>\$ 533,503</u>	<u>\$ 533,503</u>	<u>\$ -</u>
Net Change in Fund Balances	(533,503)	(533,503)	-
Fund Balance, July 1	<u>866,454</u>	<u>866,454</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 332,951</u></u>	<u><u>\$ 332,951</u></u>	<u><u>\$ -</u></u>
<b>Other Capital Projects</b>			
Total Revenues and Other Sources	\$ 1,900	\$ -	\$ (1,900)
Total Expenditures and Other Uses	<u>56,092</u>	<u>56,017</u>	<u>75</u>
Net Change in Fund Balances	(54,192)	(56,017)	(1,825)
Fund Balance, July 1	-	-	-
Prior Year Encumbrances Appropriated	<u>56,092</u>	<u>56,092</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 1,900</u></u>	<u><u>\$ 75</u></u>	<u><u>\$ (1,825)</u></u>

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

**Agency Funds**

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

**District Agency Fund**

An agency fund provided to account for activity associated with the District's involvement in Ohio High School Athletic Association (OHSAA) sponsored events and tournaments.

**Student Activity Fund**

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

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Beginning Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2016</b>
<b>District Agency</b>				
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 52	\$ 6,184	\$ 6,236	\$ -
Total assets. . . . .	<u>\$ 52</u>	<u>\$ 6,184</u>	<u>\$ 6,236</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Due to others. . . . .	\$ 52	\$ 6,184	\$ 6,236	\$ -
Total liabilities . . . . .	<u>\$ 52</u>	<u>\$ 6,184</u>	<u>\$ 6,236</u>	<u>\$ -</u>
<b>Student Activity</b>				
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 47,393	\$ 46,587	\$ 46,290	\$ 47,690
Receivables: Accounts . . . . .	14	-	14	-
Total assets. . . . .	<u>\$ 47,407</u>	<u>\$ 46,587</u>	<u>\$ 46,304</u>	<u>\$ 47,690</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 694	\$ -	\$ 694	\$ -
Due to students. . . . .	46,713	46,587	45,610	47,690
Total liabilities . . . . .	<u>\$ 47,407</u>	<u>\$ 46,587</u>	<u>\$ 46,304</u>	<u>\$ 47,690</u>
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 47,445	\$ 52,771	\$ 52,526	\$ 47,690
Receivables: Accounts . . . . .	14	-	14	-
Total assets. . . . .	<u>\$ 47,459</u>	<u>\$ 52,771</u>	<u>\$ 52,540</u>	<u>\$ 47,690</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 694	\$ -	\$ 694	\$ -
Due to students. . . . .	46,713	46,587	45,610	47,690
Due to others. . . . .	52	6,184	6,236	-
Total liabilities . . . . .	<u>\$ 47,459</u>	<u>\$ 52,771</u>	<u>\$ 52,540</u>	<u>\$ 47,690</u>

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## STATISTICAL SECTION

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

STATISTICAL SECTION

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

<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>105-118</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>119-124</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>125-128</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>129-130</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>131-137</b>

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014 (b)</u>	<u>2013</u>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 20,670,900	\$ 15,980,229	\$ 6,260,303	\$ 3,218,793
Restricted	5,786,670	10,513,353	19,303,893	23,173,283
Unrestricted	(19,669,595)	(21,156,996)	(20,969,425)	3,066,465
Total governmental activities net position	<u>\$ 6,787,975</u>	<u>\$ 5,336,586</u>	<u>\$ 4,594,771</u>	<u>\$ 29,458,541</u>

**Source:** School District financial records.

**Note:** (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.

(b) Amounts have been restated to reflect the implementation of GASB Statements 68 in fiscal year 2015.

<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 3,118,131	\$ 3,636,413	\$ 3,748,240	\$ 3,597,575	\$ 4,160,612	\$ 3,949,750
2,671,345	2,733,109	2,547,989	2,640,004	2,455,662	2,225,265
3,883,911	3,734,145	3,731,747	4,012,688	4,690,946	3,398,899
<u>\$ 9,673,387</u>	<u>\$ 10,103,667</u>	<u>\$ 10,027,976</u>	<u>\$ 10,250,267</u>	<u>\$ 11,307,220</u>	<u>\$ 9,573,914</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Expenses</b>				
Governmental activities:				
Instruction:				
Regular	\$ 7,284,769	\$ 7,480,329	\$ 8,574,984	\$ 8,089,685
Special	2,026,102	2,110,500	2,211,408	1,908,297
Vocational	55,856	53,748	55,253	73,140
Other	49,881	94,524	93,531	102,219
Support services:				
Pupil	847,757	884,804	1,000,941	982,553
Instructional staff	593,048	525,268	450,809	438,155
Board of education	51,846	49,765	44,537	31,080
Administration	1,311,080	1,359,148	1,415,995	1,328,357
Fiscal	509,138	569,229	470,323	486,395
Operations and maintenance	1,419,131	1,250,935	1,455,702	1,489,655
Pupil transportation	835,930	975,122	1,006,710	922,047
Central	237,935	262,348	345,561	347,854
Operation of non-instructional services:				
Food service operations	559,389	562,684	579,067	533,896
Latchkey operations	107,112	70,659	69,748	61,874
Other non-instructional services	55,424	54,400	56,790	121,521
Extracurricular activities	487,692	469,386	463,359	456,214
Interest and fiscal charges	1,136,027	1,209,134	1,401,336	1,292,291
Bond issuance costs	-	-	136,589	97,895
Total governmental activities expenses	<u>17,568,117</u>	<u>17,981,983</u>	<u>19,832,643</u>	<u>18,763,128</u>

**Source:** School District financial records.

**Note:** (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.

	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	7,812,891	\$ 7,886,625	\$ 7,587,064	\$ 7,571,878	\$ 7,727,254	\$ 6,588,597
	1,752,181	1,705,354	1,626,780	1,416,017	1,242,249	1,233,663
	106,481	102,822	101,087	102,875	104,101	97,379
	100,517	91,730	114,886	89,080	75,094	67,102
	1,018,365	1,005,556	886,994	810,521	858,666	771,574
	507,328	473,860	532,728	443,050	468,744	478,054
	51,535	32,725	34,668	42,208	40,185	33,019
	1,170,114	1,216,788	1,238,876	1,139,342	1,162,659	1,009,418
	497,950	448,063	428,194	414,440	408,441	362,847
	1,273,567	1,173,432	1,326,992	1,436,266	1,186,268	1,333,631
	963,081	887,051	958,546	901,853	870,189	851,300
	478,171	373,804	374,039	465,653	238,823	219,552
	542,523	504,207	485,656	483,727	439,113	425,493
	54,577	49,485	55,778	59,162	55,825	45,876
	62,265	86,977	111,471	80,774	127,319	83,740
	522,179	454,751	463,680	368,793	375,208	328,720
	1,363,542	1,138,834	753,411	772,798	760,496	793,879
	121,118	225,915	-	-	-	-
	<u>18,398,385</u>	<u>17,857,979</u>	<u>17,080,850</u>	<u>16,598,437</u>	<u>16,140,634</u>	<u>14,723,844</u>

- (Continued)

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

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

<b>Program Revenues</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Governmental activities:				
Charges for services and sales:				
Instruction:				
Regular	\$ 1,350,001	\$ 1,384,027	\$ 1,364,746	\$ 1,134,614
Special	20,689	113,002	122,879	78,169
Other	-	-	-	-
Support services:				
Pupil	14,228	34,014	19,725	13,264
Instructional staff	-	-	569	233
Operations and maintenance	3,140	4,333	3,488	5,222
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	316,062	302,418	310,241	304,011
Latchkey operations	98,586	88,699	71,374	69,584
Extracurricular activities	72,874	76,494	77,708	75,616
Operating grants and contributions:				
Instruction:				
Regular	25,856	30,369	2,000	8,432
Special	797,233	843,280	812,388	630,854
Vocational	6,282	12,860	12,692	12,863
Other	-	7,821	9,508	23,638
Support services:				
Pupil	117,066	135,073	127,683	101,992
Instructional staff	53,629	54,270	96,284	82,318
Administration	-	-	-	22,413
Fiscal	-	356	1,064	-
Operations and maintenance	-	-	-	-
Pupil transportation	77,062	63,697	63,579	62,690
Central	5,400	5,400	5,400	5,400
Operation of non-instructional services:				
Food service operations	253,124	248,907	247,746	234,298
Other non-instructional services	66,156	48,078	66,177	76,031
Extracurricular activities	37	134	253	834
Capital grants and contributions:				
Instruction:				
Regular	5,628	17,067	77,151	148,917
Support services:				
Fiscal	-	-	571	2,857
Operations and maintenance	-	-	-	791
Pupil transportation	-	-	3,608	-
Central	-	-	1,286	10,226
Extracurricular activities	-	1,900	101	-
<b>Total governmental program revenues</b>	<b>3,283,053</b>	<b>3,472,199</b>	<b>3,498,221</b>	<b>3,105,267</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	<u>\$ (14,285,064)</u>	<u>\$ (14,509,784)</u>	<u>\$ (16,334,422)</u>	<u>\$ (15,657,861)</u>

**Source:** School District financial records.

**Note:** (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.

	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	932,268	\$ 671,489	\$ 525,405	\$ 494,562	\$ 367,690	\$ 513,216
	72,099	3,072	3,305	-	-	-
	-	-	-	-	12,335	-
	16,096	8,032	22,915	30,376	41,347	-
	647	147	274	777	-	-
	7,817	5,826	6,269	8,238	11,061	-
	-	-	-	104	-	-
	342,533	350,391	353,457	381,544	355,508	345,163
	66,420	49,896	47,652	53,391	53,036	56,826
	83,892	82,936	68,147	75,971	89,123	82,298
	31,040	460,915	46,816	38,437	3,237	11,000
	602,357	821,977	417,214	632,930	636,432	167,819
	12,863	12,863	12,767	13,128	13,777	-
	19,839	17,130	34,579	-	-	-
	133,264	147,577	148,962	123,445	181,590	210,367
	91,219	144,152	84,735	64,803	87,972	162,313
	13,695	73,554	80,863	65,461	64,566	20,000
	4,644	131	5,000	8,952	-	6,010
	-	258,388	254,918	-	9,000	-
	64,427	55,002	101,401	60,045	51,872	50,000
	5,400	142,583	176,263	77	5,948	5,513
	240,032	180,203	154,812	138,247	114,059	113,106
	76,568	73,547	77,864	96,033	93,533	93,653
	4,053	1,401	6,732	6,070	100	-
	5,625	-	-	16,343	90,872	13,694
	461	-	-	-	-	-
	2,845	-	-	-	-	3,000
	8,154	-	-	12,066	6,559	-
	307	-	-	-	-	-
	-	-	5,000	126,930	-	-
	<u>2,838,565</u>	<u>3,561,212</u>	<u>2,635,350</u>	<u>2,447,930</u>	<u>2,289,617</u>	<u>1,853,978</u>
\$	<u>(15,559,820)</u>	<u>(14,296,767)</u>	<u>(14,445,500)</u>	<u>(14,150,507)</u>	<u>(13,851,017)</u>	<u>(12,869,866)</u>

- (Continued)

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

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

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

Governmental activities:	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Property taxes levied for:				
General purposes	\$ 6,404,044	\$ 4,982,929	\$ 5,060,622	\$ 5,095,630
Debt service	1,242,881	1,149,955	1,106,042	1,154,297
Capital outlay	91,270	86,053	89,017	90,534
Special revenue	-	132,131	132,131	132,131
Classroom facilities maintenance	132,131	-	-	-
Grants and entitlements not restricted to specific programs	7,238,844	1,447,644	7,279,900	7,377,981
Grants and entitlements not restricted to capital projects	257,130			
Grants and entitlements restricted for Ohio Facilities Construction Commission	-	7,112,230	-	21,293,978
Investment earnings	99,196	50,430	43,593	35,057
Increase (decrease) in fair value of investments	-	-	725	(35,232)
Miscellaneous	270,957	290,227	285,758	298,639
<b>Total governmental activities</b>	<u>15,736,453</u>	<u>15,251,599</u>	<u>13,997,788</u>	<u>35,443,015</u>
Special Item:				
Loss on sale of capital assets	-	-	-	-
<b>Total special item</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>				
Governmental activities	<u>\$ 1,451,389</u>	<u>\$ 741,815</u>	<u>\$ (2,336,634)</u>	<u>\$ 19,785,154</u>

**Source:** School District financial records.

**Note:** (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.



	<b>2012 (a)</b>	<b>2011 (a)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$	5,596,868	\$ 5,098,704	\$ 4,849,409	\$ 4,295,550	\$ 5,459,903	\$ 4,954,642
	1,388,241	1,221,080	1,170,484	1,021,138	1,323,539	1,200,168
	243,854	218,383	205,597	183,446	233,573	217,326
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,570,683	7,498,166	7,709,810	7,695,009	7,525,555	7,726,248
	-	-	-	-	-	-
	52,105	48,618	30,565	150,664	295,028	414,223
	-	-	-	-	-	-
	277,789	287,507	257,344	394,083	241,290	35,647
	<u>15,129,540</u>	<u>14,372,458</u>	<u>14,223,209</u>	<u>13,739,890</u>	<u>15,078,888</u>	<u>14,548,254</u>
	-	-	-	(646,336)	-	-
	-	-	-	(646,336)	-	-
\$	<u>(430,280)</u>	<u>75,691</u>	<u>(222,291)</u>	<u>(1,056,953)</u>	<u>1,227,871</u>	<u>1,678,388</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund:				
Nonspendable	\$ 13,126	\$ 18,334	\$ 18,207	\$ 17,201
Committed	63,887	-	164,341	-
Assigned	345,602	626,859	1,385,208	787,742
Unassigned	1,851,986	468,779	-	2,100,172
Reserved	-	-	-	-
Unreserved	-	-	-	-
	<u>2,274,601</u>	<u>1,113,972</u>	<u>1,567,756</u>	<u>2,905,115</u>
Total general fund	<u>\$ 2,274,601</u>	<u>\$ 1,113,972</u>	<u>\$ 1,567,756</u>	<u>\$ 2,905,115</u>
All Other Governmental Funds:				
Nonspendable	\$ 3,475	\$ 3,072	\$ 13,858	\$ 29,406
Restricted	6,276,963	4,163,973	13,691,353	8,002,317
Committed	75	43,823	162,405	125,427
Assigned	7,475	7,475	-	-
Unassigned (deficit)	(110,705)	(69,876)	-	(414)
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
	<u>6,177,283</u>	<u>4,148,467</u>	<u>13,867,616</u>	<u>8,156,736</u>
Total all other governmental funds	<u>6,177,283</u>	<u>4,148,467</u>	<u>13,867,616</u>	<u>8,156,736</u>
Total governmental funds	<u>\$ 8,451,884</u>	<u>\$ 5,262,439</u>	<u>\$ 15,435,372</u>	<u>\$ 11,061,851</u>

**Source:** School District financial records.

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 15,660	\$ 14,186	\$ -	\$ -	\$ -	\$ -
123,199	20,000	-	-	-	-
1,583,917	1,656,896	-	-	-	-
2,426,172	2,755,500	-	-	-	-
-	-	313,189	508,715	1,346,813	1,198,693
-	-	4,055,093	4,111,347	2,883,542	1,790,329
<u>\$ 4,148,948</u>	<u>\$ 4,446,582</u>	<u>\$ 4,368,282</u>	<u>\$ 4,620,062</u>	<u>\$ 4,230,355</u>	<u>\$ 2,989,022</u>
\$ 9,110	\$ 11,084	\$ -	\$ -	\$ -	\$ -
7,130,006	13,224,957	-	-	-	-
7,392	5,000	-	-	-	-
-	-	-	-	-	-
(18,644)	(4,123)	-	-	-	-
-	-	1,219,642	1,393,648	1,565,481	1,582,474
-	-	224,532	335,012	245,496	116,567
-	-	971,017	862,101	778,960	644,198
<u>7,127,864</u>	<u>13,236,918</u>	<u>2,415,191</u>	<u>2,590,761</u>	<u>2,589,937</u>	<u>2,343,239</u>
<u>\$ 11,276,812</u>	<u>\$ 17,683,500</u>	<u>\$ 6,783,473</u>	<u>\$ 7,210,823</u>	<u>\$ 6,820,292</u>	<u>\$ 5,332,261</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>				
From local sources:				
Property taxes	\$ 7,852,706	\$ 6,303,999	\$ 6,634,748	\$ 6,439,549
Tuition and fees	1,257,511	1,400,718	1,406,341	1,131,481
Charges for services	316,062	300,242	310,241	304,063
Earnings on investments	60,444	51,833	39,406	37,462
Increase (decrease) in fair value of investments	43,718	15,958	725	(35,232)
Extracurricular	87,102	110,408	98,002	89,061
Classroom materials and fees	69,191	91,236	76,813	76,865
Rental income	3,140	4,333	3,488	5,222
Contributions and donations	38,407	41,416	86,146	164,791
Contract services	2,644	2,596	4,471	4,437
Other local revenues	411,998	382,376	365,898	375,655
Intergovernmental	-	-	-	-
Intergovernmental - intermediate	-	2,000	5,945	10,072
Intergovernmental - state	9,931,469	11,015,544	18,135,373	13,622,903
Intergovernmental - federal	992,614	1,077,754	1,269,354	1,315,723
Total revenues	<u>21,067,006</u>	<u>20,800,413</u>	<u>28,436,951</u>	<u>23,542,052</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,696,401	6,818,686	7,750,680	7,405,709
Special	2,004,220	2,096,101	2,163,747	1,907,667
Vocational	56,084	54,021	54,032	103,756
Other	46,671	96,894	93,301	102,449
Support services:				
Pupil	841,714	877,540	974,684	1,017,645
Instructional staff	583,704	517,132	433,119	435,122
Board of education	51,078	49,067	43,390	31,246
Administration	1,298,025	1,351,835	1,405,049	1,337,377
Fiscal	505,966	566,005	456,726	480,505
Operations and maintenance	1,290,153	1,222,222	1,360,731	1,169,841
Pupil transportation	795,391	918,687	926,320	854,319
Central	216,348	241,275	322,824	337,655
Operation of non-instructional services:				
Food service operations	545,600	548,108	560,705	524,803
Latchkey operations	107,112	70,659	69,748	61,874
Other non-instructional services	53,383	54,394	55,454	121,604
Extracurricular activities	412,850	392,282	381,453	382,930
Facilities acquisition and construction	841,629	13,527,529	5,328,458	5,910,747
Capital outlay	396,598	-	-	-
Debt service:				
Principal retirement	537,774	522,070	493,703	325,825
Interest and fiscal charges	993,458	1,048,839	1,189,306	1,245,939
Bond issuance costs	-	-	136,589	97,895
Total expenditures	<u>18,274,159</u>	<u>30,973,346</u>	<u>24,200,019</u>	<u>23,854,908</u>
Excess (deficiency) of revenues over (under) expenditures	2,792,847	(10,172,933)	4,236,932	(312,856)

Source: School District financial records.

	2012	2011	2010	2009	2008	2007
\$	6,770,183	\$ 6,811,405	\$ 6,273,572	\$ 5,403,970	\$ 6,883,813	\$ 6,295,184
	930,521	603,722	454,021	419,581	355,958	377,456
	338,593	343,880	341,006	366,484	355,508	334,798
	53,694	48,229	28,962	151,933	298,446	344,099
	-	-	-	-	-	-
	98,937	89,324	72,030	77,507	77,007	87,732
	69,433	62,951	67,492	74,981	77,103	-
	7,817	5,826	6,269	6,613	11,061	-
	29,069	3,654	16,820	38,395	32,543	-
	3,911	7,888	7,197	-	-	-
	350,349	345,605	336,753	610,810	292,410	233,164
	-	-	-	-	-	8,582,723
	40,007	10,055	5,902	7,420	7,049	-
	7,480,036	7,650,851	7,885,218	8,244,818	8,093,186	-
	1,697,573	1,890,678	1,361,162	694,053	728,894	-
	<u>17,870,123</u>	<u>17,874,068</u>	<u>16,856,404</u>	<u>16,096,565</u>	<u>17,212,978</u>	<u>16,255,156</u>

	7,105,699	7,355,952	7,021,672	6,935,336	6,733,121	6,784,944
	1,751,605	1,705,416	1,638,378	1,416,148	1,181,419	1,262,793
	105,314	102,179	100,478	102,032	97,689	99,547
	100,517	91,730	116,797	89,025	71,238	70,893
	1,009,267	1,001,149	882,916	805,837	824,645	804,530
	503,978	470,510	529,378	439,700	450,490	501,623
	51,535	32,725	34,668	42,208	39,158	33,019
	1,159,162	1,201,544	1,246,756	1,134,662	1,121,363	996,544
	497,353	455,803	417,531	413,401	391,455	380,471
	1,209,641	1,112,437	1,217,001	1,307,832	1,167,067	1,370,859
	961,052	842,862	1,034,244	933,691	838,352	842,977
	471,051	377,054	384,903	462,887	242,335	217,950
	541,275	493,375	481,473	480,562	451,830	428,268
	54,577	49,485	55,778	59,162	53,322	45,876
	62,265	86,977	111,471	80,774	118,962	83,740
	448,895	381,467	396,081	363,707	354,924	318,879
	6,503,643	786,805	147,450	1,721,517	244,543	-
	-	372,368	-	-	-	1,309,580
	258,397	883,287	734,000	645,000	605,000	510,000
	1,481,585	1,044,231	734,586	754,830	738,034	749,450
	121,118	225,915	-	-	-	-
	<u>24,397,929</u>	<u>19,073,271</u>	<u>17,285,561</u>	<u>18,188,311</u>	<u>15,724,947</u>	<u>16,811,943</u>

(6,527,806)

(1,199,203)

(429,157)

(2,091,746)

1,488,031

(556,787)

- (Continued)

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Other Financing Sources (Uses)</b>				
Lease-purchase agreement	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-
Transfers in	35	583,491	41,900	28,100
Transfers (out)	(35)	(583,491)	(41,900)	(28,100)
Premium on refunding bonds	-	-	173,237	408,233
Sale of refunding bonds	-	-	5,804,978	4,339,094
Payment to refunded bond escrow agent	-	-	(5,841,626)	(4,649,432)
Premium on notes and bonds sold	-	-	-	-
Sale of bonds	-	-	-	-
Capital lease transaction	396,598	-	-	-
Total other financing sources (uses)	<u>396,598</u>	<u>-</u>	<u>136,589</u>	<u>97,895</u>
<b>Special Item</b>				
Sale of capital assets	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 3,189,445</u>	<u>\$ (10,172,933)</u>	<u>\$ 4,373,521</u>	<u>\$ (214,961)</u>
Capital expenditures	\$ 1,176,074	\$ 13,547,338	\$ 5,316,946	\$ 5,662,247
Debt service as a percentage of noncapital expenditures	8.96%	9.01%	8.91%	8.64%

**Source:** School District financial records.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ -	\$ -	\$ -	\$ 890,000	\$ -	\$ -
-	-	1,807	10,030	-	-
41,800	17,096	25,000	1,017,061	11,687	-
(41,800)	(17,096)	(25,000)	(28,937)	(11,687)	-
935,832	-	-	-	-	-
8,554,726	-	-	-	-	-
(9,369,440)	-	-	-	-	-
-	226,875	-	-	-	-
-	11,499,987	-	-	-	-
-	372,368	-	-	-	-
<u>121,118</u>	<u>12,099,230</u>	<u>1,807</u>	<u>1,888,154</u>	<u>-</u>	<u>-</u>
-	-	-	594,123	-	-
-	-	-	594,123	-	-
<u>\$ (6,406,688)</u>	<u>\$ 10,900,027</u>	<u>\$ (427,350)</u>	<u>\$ 390,531</u>	<u>\$ 1,488,031</u>	<u>\$ (556,787)</u>
\$ 6,537,372	\$ 1,163,719	\$ 232,781	\$ 1,717,822	\$ 370,430	\$ 1,972,910
9.74%	10.76%	8.61%	8.50%	8.75%	8.49%

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

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

Collection Year	Real Property (a)		Tangible Personal Property (b)		Public Utility (c)	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2016	\$ 240,076,130	\$ 685,931,800	\$ -	\$ -	\$ 12,483,050	\$ 35,665,857
2015	228,293,890	652,268,257	-	-	11,894,870	33,985,343
2014	227,675,030	650,500,086	-	-	11,427,140	32,648,971
2013	226,640,100	647,543,143	-	-	11,875,840	33,930,971
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

**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>	
\$ 58.27	\$ 252,559,180	\$ 721,597,657	35.00%	
50.24	240,188,760	686,253,600	35.00%	
49.87	239,102,170	683,149,057	35.00%	
49.82	238,515,940	681,474,114	35.00%	
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	783,822,724	34.77%	

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

**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>
2015/2016	15.08	6.10	8.20	7.25	8.78	7.21	4.55
2014/2015	14.48	6.10	8.20	7.25	8.78	7.21	4.55
2013/2014	14.48	6.10	6.30	7.25	8.78	8.01	4.55
2012/2013	13.66	6.10	6.30	7.25	8.78	8.01	4.55
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

**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>
10.53	9.90	45.93	5.72	2.00	\$ 4.62	\$ 58.27
10.28	9.65	37.98	5.64	2.00	4.62	50.24
10.28	9.65	37.98	5.27	2.00	4.62	49.87
10.28	9.65	37.98	5.22	2.00	4.62	49.82
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

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

PRINCIPAL PROPERTY TAX PAYERS  
DECEMBER 31, 2015 AND DECEMBER 31, 2006

<b>December 31, 2015</b>			
<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total District Taxable Assessed Value</b>
Columbia Gas Transmission	\$ 4,512,660	1	1.90%
Ohio Edison - FirstEnergy Company	2,890,620	2	1.21%
Lorain-Medina Rural Electric Cooperative, Inc.	2,433,770	3	1.02%
Elyria Country Club	1,171,120	4	0.49%
Gordon Farms Partnership, LLP.	1,165,390	5	0.49%
Sentinel Square, LLC.	1,162,490	6	0.49%
Columbia Gas of Ohio, Inc.	1,080,660	7	0.45%
Durham Ridge Investments, LLC.	1,028,570	8	0.43%
Twin Lake Homes, LTD.	1,005,930	9	0.42%
Lorain County Landfill LLC	998,760	10	0.42%
Total	\$ 17,449,970		7.30%

<b>December 31, 2006</b>			
<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total District Taxable Assessed Value</b>
Columbia Gas Transmission	\$ 4,060,290	1	1.73%
Durham Ridge Investments	2,925,640	2	1.24%
Ohio Edison - FirstEnergy Company	1,956,430	3	0.83%
Lorain-Medina Rural Electric Cooperative, Inc.	1,622,600	4	0.69%
Elyria Country Club	1,466,840	5	0.62%
Alltel Ohio, Inc.	1,104,410	6	0.47%
Kaltenbach Foods, Inc.	1,067,050	7	0.45%
Gordon Farms Partnership, LLP.	973,050	8	0.41%
Twin Lake Homes, LTD.	952,870	9	0.41%
Manufacturers Holdings	616,760	10	0.26%
Total	\$ 16,745,940		7.12%

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

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

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>
2015/2016	\$ 9,445,300	\$ 8,182,209	86.63%	\$ 154,804	8,337,014	88.27%
2014/2015	7,318,014	7,058,536	96.45%	122,162	7,180,698	98.12%
2013/2014	7,182,548	6,903,521	96.12%	134,258	7,037,779	97.98%
2012/2013	7,164,228	7,406,100	103.38%	236,907	7,643,007	106.68%
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%

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

**Notes:**

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

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

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

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>(a) Total Primary Government</b>	<b>(b) Percentage of Personal Income</b>	<b>(b) Per Capita</b>	<b>(b) Per ADM</b>
	<b>General Obligation Bonds</b>	<b>Lease- Purchase Agreement</b>	<b>Capital Leases</b>				
2016	\$ 25,487,548	\$ 540,000	\$ 324,824	\$ 26,352,372	1.26%	\$ 332	\$ 16,637
2015	25,830,722	596,000	44,086	26,470,808	1.27%	333	16,701
2014	26,120,057	650,000	127,156	26,897,213	1.30%	338	15,831
2013	26,236,737	702,000	203,859	27,142,596	1.39%	342	16,292
2012	26,036,550	752,000	274,684	27,063,234	1.39%	351	15,948
2011	25,354,422	800,000	340,081	26,494,503	1.03%	343	15,724
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

**Sources:**

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

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

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>			<b>(c) Percentage of Actual Taxable Value of Property</b>	<b>(b) Net Bonded Debt Per Capita</b>
	<b>(a) General Obligation Bonds</b>	<b>Debt Service Available Net Position</b>	<b>Net Bonded Debt</b>		
2016	\$ 25,487,548	\$ 2,011,762	\$ 23,475,786	3.25%	\$ 295
2015	25,830,722	1,779,306	24,051,416	3.50%	303
2014	26,120,057	1,634,556	24,485,501	3.58%	308
2013	26,236,737	1,538,510	24,698,227	3.62%	311
2012	26,036,550	1,325,294	24,711,256	3.27%	320
2011	25,354,422	868,452	24,485,970	3.23%	317
2010	14,399,488	1,158,641	13,240,847	1.77%	167
2009	15,068,794	1,216,201	13,852,593	1.73%	175
2008	15,694,213	1,405,964	14,288,249	1.82%	180
2007	16,275,491	1,281,099	14,994,392	1.91%	189

**Sources:**

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

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 26,352,372	100.00%	\$ 26,352,372
Overlapping debt:			
Lorain County	32,725,000	3.85%	1,259,913
City of Elyria	29,205,000	0.19%	55,490
Lorain County Joint Vocational School District	2,860,205	4.34%	124,133
Total overlapping debt	<u>64,790,205</u>		<u>1,439,536</u>
 Total direct and overlapping debt	 <u>\$ 91,142,577</u>		 <u>\$ 27,791,908</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 2014 collection year.



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

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

Fiscal Year	Voted Debt Limit	Total Debt Applicable to Limit (a)	Debt Service Available Balance	Net Debt Applicable to Limit	Voted Legal Debt Margin (b)	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2016	\$ 22,730,326	\$ 26,022,885	\$ 2,547,099	\$ 23,475,786	\$ (745,460)	103.28%
2015	21,616,988	26,183,792	2,132,376	24,051,416	(2,434,428)	111.26%
2014	21,519,195	24,650,658	1,871,469	22,779,189	(1,259,994)	105.86%
2013	21,466,435	24,740,130	1,644,833	23,095,297	(1,628,862)	107.59%
2012	23,783,649	24,827,619	1,313,200	23,514,419	269,230	98.87%
2011	23,636,620	25,080,563	964,028	24,116,535	(479,915)	102.03%
2010	23,447,471	14,273,964	1,142,605	13,131,359	10,316,112	56.00%
2009	24,811,556	14,957,125	1,193,326	13,763,799	11,047,757	55.47%
2008	24,379,249	15,621,155	1,402,119	14,219,036	10,160,213	58.32%
2007	24,527,138	16,254,763	1,305,862	14,948,901	9,578,237	60.95%

**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, OHIO**

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (a)</u>	<u>Per Capita Personal Income (b)</u>	<u>Total Personal Income</u>	<u>School Enrollment (c)</u>	<u>Unemployment Rates</u>		
					<u>Lorain County</u>	<u>Ohio</u>	<u>United States</u>
2016	79,466	\$ 26.24	\$ 2,085,188	1,584	5.4%	4.8%	4.8%
2015	79,466	26.24	2,085,188	1,585	4.8%	4.2%	4.8%
2014	79,466	26.05	2,070,089	1,699	6.9%	5.3%	6.3%
2013	79,451	24.62	1,956,084	1,666	8.2%	7.2%	7.6%
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%

**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, OHIO**

PRINCIPAL EMPLOYERS  
DECEMBER 31, 2015 AND DECEMBER 31, 2009

<b>December 31, 2015</b>		
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>
Keystone Local School District	185	1
Keystone Pointe	150	2
West Roofing Systems, Inc.	75	3
Rural Lorain County Water Authority	35	4
Micron Manufacturing	50	5
Greyhawk Land Holdings, LLC.	50	6
SpaceBound, Inc.	48	7
LaGrange IGA	40	8
Panel Master, LLC.	43	9
Mader Machine, Inc.	28	10
Total	704	
<b>December 31, 2009</b>		
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>
Keystone Local School District	192	1
Keystone Pointe	160	2
Inservco Insurance Services, Inc.	85	3
West Roofing Systems, Inc.	50	4
Greyhawk Land Holdings, LLC.	40	5
Mader Machine, Inc.	31	6
Micron Manufacturing	30	7
SpaceBound, Inc.	27	8
Varbros, LLC.	23	9
Village of LaGrange	17	10
Total	655	

**Source:** Individual employers.

**Note:** Information was unavailable at December 31, 2006.

Information related to total employment within the District was unavailable at both December 31, 2015 and December 31, 2009. Therefore, the above totals by employer could not be expressed as a percentage of total employment.

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

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

<b>Type</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Office - administrative	12.00	13.00	12.50	11.20	10.25	12.02	11.86	12.02	11.99	12.05
Professional - educational	96.00	94.92	101.56	101.30	103.85	102.31	107.19	98.51	98.18	96.31
Professional - other	19.18	21.32	18.27	20.05	21.64	13.67	15.52	15.55	12.97	16.26
Technical	4.93	4.93	3.93	1.00	1.00	1.00	1.00	1.00	-	-
Office - clerical	11.74	10.74	10.74	10.74	12.65	13.35	13.35	13.36	13.24	13.14
Craft and trade	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Service worker/laborer	40.82	37.81	37.39	37.64	39.50	34.72	35.65	35.35	32.46	33.22
<b>Total</b>	<b>185.67</b>	<b>183.72</b>	<b>185.39</b>	<b>182.93</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>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Instruction:</b>										
Regular	77.00	76.00	76.00	75.00	79.50	77.31	81.89	79.31	83.10	81.31
Special	17.00	13.85	17.56	17.49	14.54	14.00	14.30	12.20	11.58	11.50
Vocational	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Support services:</b>										
Pupil	7.00	7.00	7.50	8.31	11.31	7.00	7.00	6.00	18.47	21.76
Instructional staff	19.18	21.32	18.70	17.55	19.14	17.53	19.38	19.55	4.00	4.00
Administration	22.07	22.74	22.24	20.94	21.90	19.65	19.49	16.53	13.24	13.14
Fiscal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations and maintenance	12.13	11.50	12.63	12.13	12.13	12.00	12.60	12.00	11.00	12.00
Pupil transportation	12.46	13.09	13.79	13.75	13.51	13.36	13.69	13.91	13.66	13.95
Central	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.17	0.17
<b>Operation of non-instructional services:</b>										
Food service operations	8.90	8.25	8.04	8.70	9.21	8.76	8.76	8.69	8.17	7.83
Other non-instructional	4.93	4.97	3.93	4.06	3.65	3.46	3.46	3.60	2.45	2.32
<b>Total</b>	<b>185.67</b>	<b>183.72</b>	<b>185.39</b>	<b>182.93</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>

**Source:** District records.

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

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

<b>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Instruction:</b>										
Regular and special Enrollment (students)	1,584	1,585	1,699	1,666	1,697	1,685	1,703	1,750	1,780	1,836
Graduates	125	124	142	127	137	132	138	142	142	127
<b>Support services:</b>										
<b>Board of education</b>										
Regular meetings per year	16	22	22	23	22	19	22	23	22	22
Special meetings per year	1	10	3	-	4	6	6	2	2	-
<b>Fiscal</b>										
Nonpayroll checks issued	2,416	2,375	2,879	2,689	2,622	2,513	2,563	2,961	2,749	2,807
<b>Operations and maintenance</b>										
Square footage maintained	308,518	308,518	311,518	311,518	252,370	249,370	249,370	249,370	249,370	249,370
<b>Pupil transportation</b>										
Average students transported daily (a)	666	691	682	678	674	642	647	701	716	861
<b>Food service operations</b>										
Meals served to students	139,180	128,021	123,596	120,147	122,412	109,288	109,391	93,460	90,949	93,685
Number of students with free or reduced lunches	464	562	505	491	472	463	379	391	542	335

**Source:** District records.

**Notes:**

(a) Figure includes public and nonpublic riders.

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

**CAPITAL ASSET STATISTICS  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
Construction in progress	-	19,585,236	6,126,383	891,987
Land improvements	1,985,768	2,141,917	2,309,837	2,477,758
Buildings and improvements	42,311,648	22,964,019	23,894,921	24,776,211
Furniture and equipment	677,116	311,474	437,877	576,162
Vehicles	192,995	246,187	230,968	270,613
Total governmental activities capital assets, net	<u>\$ 45,689,343</u>	<u>\$ 45,770,649</u>	<u>\$ 33,521,802</u>	<u>\$ 29,514,547</u>

**Source:** School District financial records.

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
6,988,082	695,396	-	1,364,921	-	-
2,645,679	2,704,100	2,856,413	1,632,370	1,682,140	1,760,200
13,792,480	14,292,785	14,803,729	15,358,091	16,987,163	17,441,843
520,826	634,566	326,363	305,854	335,266	268,566
339,719	331,000	375,919	284,523	259,227	232,816
<u>\$ 24,808,602</u>	<u>\$ 19,179,663</u>	<u>\$ 18,884,240</u>	<u>\$ 19,467,575</u>	<u>\$ 19,785,612</u>	<u>\$ 20,225,241</u>

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

**SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	537	532	585	574
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	(a)	(a)	(a)	(a)
Keystone Middle School (2013)				
Square feet	59,148	59,148	59,148	59,148
Capacity (students)	370	370	370	370
Enrollment	366	392	397	400
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	(b)	661	717	692
Keystone Elementary School (2016)				
Square feet	86,010	(b)	(b)	(b)
Capacity (students)	708	(b)	(b)	(b)
Enrollment	681	(b)	(b)	(b)
 Total enrollment by year	 1,584	 1,585	 1,699	 1,666

**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) The new Keystone Middle School was constructed during fiscal year 2013. However, as of June 30, 2013 the District began maintaining the old middle school building despite it having no student population.

(b) The new Keystone Elementary School was constructed during fiscal year 2016. However, as of June 30, 2016 the District began maintaining the old elementary school building despite it having no student population.



<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
106,884	106,884	106,884	106,884	106,884	106,884
625	625	625	625	625	625
579	578	588	599	609	623
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
547	559	544	540	552	582
(a)	(a)	(a)	(a)	(a)	(a)
(a)	(a)	(a)	(a)	(a)	(a)
(a)	(a)	(a)	(a)	(a)	(a)
57,096	57,096	57,096	57,096	57,096	57,096
381	381	381	381	381	381
571	548	571	589	585	596
(b)	(b)	(b)	(b)	(b)	(b)
(b)	(b)	(b)	(b)	(b)	(b)
(b)	(b)	(b)	(b)	(b)	(b)
1,697	1,685	1,703	1,728	1,746	1,801

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

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)			
2016	16,742,927	10,570	16,432,090	10,374	1,584	-0.06%	96	16.50
2015	29,402,437	18,550	16,772,849	10,582	1,585	-6.71%	98	16.17
2014	22,380,421	13,173	18,294,718	10,768	1,699	1.98%	112	15.17
2013	22,185,249	13,316	17,372,942	10,428	1,666	-1.83%	111	15.01
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

**Source:** School District financial records.

**Notes:**

(a) Debt Service totals have been excluded.

(b) Enrollment figures are taken from District records.

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

**SUPPLEMENTAL REPORTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**MICHAEL RESAR, TREASURER**

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

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

Keystone Local School District  
Lorain County  
531 Opportunity Way  
LaGrange, Ohio 44050

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Keystone Local School District's basic financial statements and have issued our report thereon dated December 19, 2016.

***Internal Control Over Financial Reporting***

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

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Keystone Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

Julian & Grube, Inc.  
December 19, 2016



# 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, 2017