

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

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

SUSAN C. BEMENT, TREASURER/CFO



Dave Yost • Auditor of State

Board of Education
Keystone Local School District
301 Liberty Street
LaGrange, Ohio 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, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 23, 2014

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**KEYSTONE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(E) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Child Nutrition Cluster:				
(C)(D) School Breakfast Program	10.553	2013	\$ 20,780	\$ 20,780
(C)(D) National School Lunch Program	10.555	2013	175,348	175,348
(B)(D) National School Lunch Program - Food Donation	10.555	2013	26,406	26,406
Total National School Lunch Program			201,754	201,754
Total U.S. Department of Agriculture and Child Nutrition Cluster			222,534	222,534
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
(F) Title I Grants to Local Educational Agencies	84.010	2012	54,669	53,293
(F) Title I Grants to Local Educational Agencies	84.010	2013	186,886	179,283
Total Title I Grants to Local Educational Agencies			241,555	232,576
Special Education Grants to States	84.027	2012	32,532	15,915
Special Education Grants to States	84.027	2013	331,781	313,585
Total Special Education Grants to States			364,313	329,500
(F) Improving Teacher Quality State Grant	84.367	2012	5,606	-
(F) Improving Teacher Quality State Grant	84.367	2013	34,654	31,543
Total Improving Teacher Quality State Grants			40,260	31,543
(F) ARRA - Race to the Top, Recovery Act	84.395A	2012	2,035	8,893
(F) ARRA - Race to the Top, Recovery Act	84.395A	2013	27,550	23,426
ARRA - Race to the Top, Recovery Act - Ohio Educator Program	84.395A	2013	350	350
Total ARRA - Race to the Top, Recovery Act			29,935	32,669
Education Jobs Fund	84.410	2012	48,272	54,098
Total U.S. Department of Education			724,335	680,386
Total Federal Financial Assistance			\$ 946,869	\$ 902,920

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

- (A) This schedule was prepared on the cash basis of accounting.
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) OAKS did not assign pass-through numbers for fiscal year 2013.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2013, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2012	\$ 96	
Title I Grants to Local Educational Agencies	84.010	2013		\$ 96
Improving Teacher Quality State Grant	84.367	2012	603	
Improving Teacher Quality State Grant	84.367	2013		603
ARRA - Race to the Top, Recovery Act	84.395A	2012	2,965	
ARRA - Race to the Top, Recovery Act	84.395A	2013		2,965
Totals			\$ 3,664	\$ 3,664



Julian & Grube, Inc.
Serving Ohio Local Governments

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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
301 Liberty Street
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, 2013, 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 23, 2013.

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.



Julian & Grube, Inc.
December 23, 2013



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Keystone Local School District
Lorain County
301 Liberty Street
LaGrange, Ohio 44050

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Keystone Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Keystone Local School District's major federal programs for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Keystone Local School District's major federal programs.

Management's Responsibility

The Keystone Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Keystone Local School District's compliance for each of the Keystone Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Keystone Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Keystone Local School District's major programs. However, our audit does not provide a legal determination of the Keystone Local School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Keystone Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2013.

Board of Education
Keystone Local School District

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Receipts and Expenditures of Federal Awards Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Keystone Local School District's basic financial statements. We issued our unmodified report thereon dated December 23, 2013. We conducted our audit to opine on the Keystone Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 23, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010); Special Education_Grants to States (CFDA #84.027)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Keystone Local School District

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2013*



Board of Education
Keystone Local School District
Lagrange, Ohio

Jay G. Arbaugh
Superintendent



Susan C. Bement
Treasurer/CFO

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INTRODUCTORY SECTION

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**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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KEYSTONE LOCAL SCHOOL DISTRICT

December 23, 2013

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, 2013 is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association (GFOA).

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

The basic financial statements of the District for the fiscal year ended June 30, 2013, were audited by Julian & Grube, Inc. whose opinion thereon is included at the beginning of the Financial Section of this report.

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

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

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

Profile of the Keystone Local School District

The District and its Facilities

The District is located in Lorain County, Ohio southwest of Cleveland. Encompassing 65 square miles, the District is made up of residents from communities within the townships of Lagrange, Penfield, Carlisle, New Russia, Pittsfield and Elyria, as well as the Village of Lagrange and the City of Elyria. The District is located primarily in residential and agricultural communities. The District's facilities are comprised of Keystone Elementary School built in 1891, the new Keystone Middle School, which was opened in February of 2013 as part of an Ohio School Facilities Commission (OSFC) construction project, and Keystone High School built in 2006 under the Ohio School Facilities Expedited Local Partnership Program (ELPP). The District was notified in July of 2012 that the OSFC awarded funds to the District for the construction of a new elementary school. This \$18,000,000 project is scheduled to begin construction in the fall of 2013. With the completion of the middle school, the District's share of the OSFC 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 will achieve its vision of offering students a completely new academic campus within the next two years.

Organizational Structure of the District

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

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

Educational Highlights & Strategy

The State has changed how it evaluates and communicates the academic performance of its schools. Schools no longer receive labels such as "Excellent" or "Continuous Improvement". In place of these labels, schools receive letter grades on several measures in the same way a student receives grades for his or her classes. These broad measured areas include Overall Achievement, Gap Closing, Overall Value Added, and Four-to-Five-Year Graduation Rate. When looking at the District's report card, strength is found in the area of Overall Achievement, an area in which the District met 95.8% of the tested indicators. As the Curriculum Director stated, "this is due to the hard work of the teachers and students in preparing for the OAA (Ohio Achievement Assessments) and OGT (Ohio Graduation Tests) State tests." In addition, 49.7% of the District's fourth through tenth grade students scored Accelerated or Advanced on those same State tests. Another area of strength was in the Four-to-Five-Year Graduation Rate category. This category represents the percentage of students whom entered the ninth grade and then graduated four to five years later. The District graduated more than 90% of its students in four to five years, which is approximately 10% higher than the State average.

Economic Condition

The District has been able to maintain a confident and stable financial position over the past several years. The District's conservative financial record has given it the ability to operate successfully without new funding from District voters. Of all school districts in Lorain County, the District has one of the lowest cost per pupil rates. However, the new State funding formula (HB59) will make it necessary within the next year to request new operating funds from voters. The realization of no State funding increases, coupled with an 11% decrease in property valuations, has resulted in a projected loss of revenues for the next two years.

Long-Term Financial Planning

The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected local and State revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems. The District's current five-year forecast indicates that the District-established cash reserve threshold of \$2,500,000 will be reached within the next two fiscal years. This cash reserve threshold was created in response to the District's expenditures overtaking revenues beginning in fiscal year 2012, and will hopefully be achieved with the assistance of an operating levy that will be placed on the ballot in May of 2014.

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

Major Initiatives

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

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

In regards to academics, the District recently purchased approximately 400 Chromebook computers as part of the District’s wireless initiative that encompasses the entire District.

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), the North Coast Council (NCC), the Lake Erie Regional Council (LERC) and the Ohio Schools Council Association including the Workers' Compensation Group Rating Program. These organizations are presented in Note 2.A to the basic financial statements.

Awards

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Keystone Local School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

Acknowledgments

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

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

Respectfully submitted,



Ms. Susan C. Bement
Treasurer/CFO

**Keystone Local School District
List of Principal Officials
As of June 30, 2013**

Board of Education

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

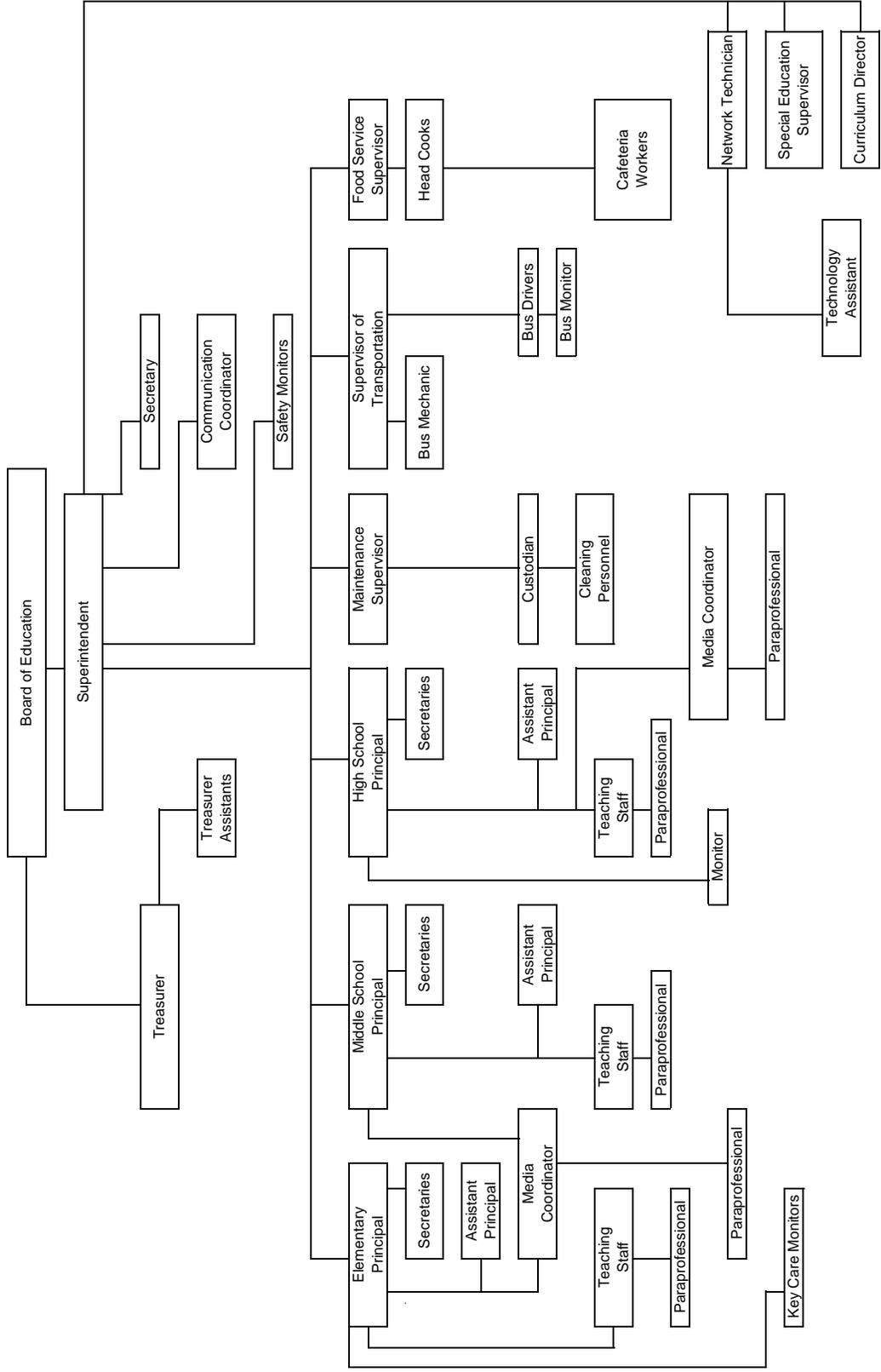
Administration

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

Treasurer/CFO

Susan Bement

KEYSTONE LOCAL SCHOOL DISTRICT
ORGANIZATIONAL CHART





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, 2012

Executive Director/CEO

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FINANCIAL SECTION

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Keystone Local School District
Lorain County
301 Liberty Street
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, 2013, 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, 2013, 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.

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*, 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 the 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 23, 2013, 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 23, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

- The District restated net position at June 30, 2012 as described in Note 3.A to the basic financial statements. During fiscal year 2013, net position of governmental activities increased \$19,785,154 from \$9,673,387 to \$29,458,541. This represents a 204.53% increase from fiscal year 2012. The significant increase in the District's net position is mainly due to the recognition of grant proceeds from the Ohio School Facilities Commission (OSFC) intended for capital improvements of District facilities, including the construction of a new elementary school.
- General revenues accounted for \$35,443,015 in revenue or 91.94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,105,267 in revenue or 8.06% of total revenues of \$38,548,282.
- The District had \$18,763,128 in expenses related to governmental activities; only \$3,105,267 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and OSFC grants and entitlements) of \$35,443,015 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund and classroom facilities fund. The general fund had \$13,707,435 in revenues and \$14,951,268 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$1,243,833 from \$4,148,948 to \$2,905,115.
- The building fund had \$5,522 in revenues and \$4,558,059 in expenditures. The significant amount of expenditures is due to a construction project that was completed during fiscal year 2013. During fiscal year 2013, the building fund's fund balance decreased \$4,552,537 from \$4,552,537 to \$0.
- The classroom facilities fund had \$6,296,135 in revenues and \$865,773 in expenditures. The significant amount of revenues is due to State drawdown payments received from the OSFC during fiscal year 2013. During fiscal year 2013, the classroom facilities fund's fund balance increased \$5,430,362 from \$0 to \$5,430,362.

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, building fund and 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, 2013

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 2013?" 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 26-27 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 20. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, building fund and 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 28-32 of this report.

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-67 of this report.

The District as a Whole

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

Certain asset, deferred outflows of resources, liability, deferred inflows of resources, and net position classifications have been restated by the District for fiscal year 2012 to conform to fiscal year 2013 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	Net Position		
	Governmental Activities 2013	(Restated) Governmental Activities 2012	Percentage Change
	<u>2013</u>	<u>2012</u>	
<u>Assets</u>			
Current and other assets	\$ 34,523,963	\$ 20,310,752	69.98 %
Capital assets, net	<u>29,514,547</u>	<u>24,808,602</u>	18.97 %
Total assets	<u>64,038,510</u>	<u>45,119,354</u>	41.93
<u>Deferred Outflows of Resources</u>	<u>1,061,764</u>	<u>810,327</u>	31.03 %
<u>Liabilities</u>			
Current liabilities	2,084,785	2,673,422	(22.02) %
Long-term liabilities	<u>27,910,325</u>	<u>27,811,479</u>	0.36 %
Total liabilities	<u>29,995,110</u>	<u>30,484,901</u>	(1.61) %
<u>Deferred Inflows of Resources</u>	<u>5,646,623</u>	<u>5,771,393</u>	(2.16) %
<u>Net Position</u>			
Net investment in capital assets	3,218,793	3,118,131	3.23 %
Restricted	23,173,283	2,671,345	767.48 %
Unrestricted	<u>3,066,465</u>	<u>3,883,911</u>	(21.05) %
Total net position	<u>\$ 29,458,541</u>	<u>\$ 9,673,387</u>	204.53 %

During fiscal year 2013, the District entered into an agreement with the OSFC to fund capital improvements of District facilities, including the construction of a new elementary school, resulting in significant increases in both cash receipts and intergovernmental receivables available to the District at year end. The District also completed construction of a new school building during fiscal year 2013, which explains the significant increase in capital assets. Restricted net position increased compared to the prior year primarily because of the District's newly acquired resources that are restricted for capital projects.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,458,541. Of this total, \$23,173,283 is restricted in use and \$3,218,793 is the District's net investment in capital assets, resulting in unrestricted net position of \$3,066,465.

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

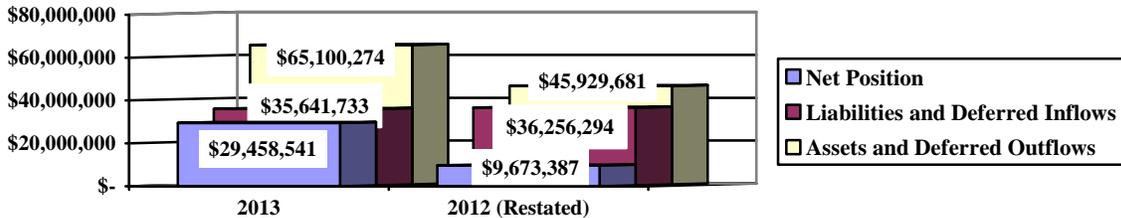
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

At year end, capital assets represented 46.09% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2013 was \$3,218,793. 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, \$23,173,283, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,066,465 may be used to meet the District's ongoing obligations to the students and creditors.

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2013 and June 30, 2012.

Governmental Activities



The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below shows the changes in net position for governmental activities for fiscal years 2013 and 2012.

Change in Net Position

	(Restated)		Percentage Change
	Governmental Activities 2013	Governmental Activities 2012	
Revenues			
Program revenues:			
Charges for services and sales	\$ 1,680,713	\$ 1,521,772	10.44 %
Operating grants and contributions	1,261,763	1,299,401	(2.90) %
Capital grants and contributions	162,791	17,392	836.01 %
General revenues:			
Property taxes	6,472,592	7,228,963	(10.46) %
Grants and entitlements not restricted	7,377,981	7,570,683	(2.55) %
Grants and entitlements restricted	21,293,978	-	100.00 %
Investment earnings	35,057	52,105	(32.72) %
Decrease in fair value of investments	(35,232)	-	(100.00) %
Miscellaneous	298,639	277,789	7.51 %
Total revenues	38,548,282	17,968,105	114.54 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Change in Net Position		Percentage Change
	Governmental	(Restated) Governmental	
	Activities <u>2013</u>	Activities <u>2012</u>	
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 8,089,685	\$ 7,812,891	3.54 %
Special	1,908,297	1,752,181	8.91 %
Vocational	73,140	106,481	(31.31) %
Other	102,219	100,517	1.69 %
Support services:			
Pupil	982,553	1,018,365	(3.52) %
Instructional staff	438,155	507,328	(13.63) %
Board of education	31,080	51,535	(39.69) %
Administration	1,328,357	1,170,114	13.52 %
Fiscal	486,395	497,950	(2.32) %
Operations and maintenance	1,489,655	1,273,567	16.97 %
Pupil transportation	922,047	963,081	(4.26) %
Central	347,854	478,171	(27.25) %
Operation of non-instructional services:			
Food service operations	533,896	542,523	(1.59) %
Latchkey operations	61,874	54,577	13.37 %
Other non-instructional services	121,521	62,265	95.17 %
Extracurricular activities	456,214	522,179	(12.63) %
Interest and fiscal charges	1,292,291	1,363,542	(5.23) %
Bond issuance costs	97,895	121,118	(19.17) %
Total expenses	<u>18,763,128</u>	<u>18,398,385</u>	1.98 %
Change in net position	19,785,154	(430,280)	4,698.20 %
Net position at beginning of year (restated)	<u>9,673,387</u>	<u>10,103,667</u>	(4.26) %
Net position at end of year	<u>\$ 29,458,541</u>	<u>\$ 9,673,387</u>	204.53 %

During fiscal year 2013, capital grants and contributions increased \$145,399 or 836.01% mainly due to an increase in donations received in the other capital projects fund (a nonmajor governmental fund). Property taxes decreased \$756,371 or 10.46% primarily due to an increase in delinquent property taxes available to the District at June 30, 2012 in comparison to June 30, 2011. The restricted grants and entitlements revenue reported in fiscal year 2013 is related to the recognition of OSFC grant proceeds intended for capital improvements of District facilities, including the construction of a new elementary school.

During fiscal year 2013, operations and maintenance expenses increased \$216,088 or 16.97% due to increased costs related to general repairs and facility upkeep that did not result in capital asset items for the District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

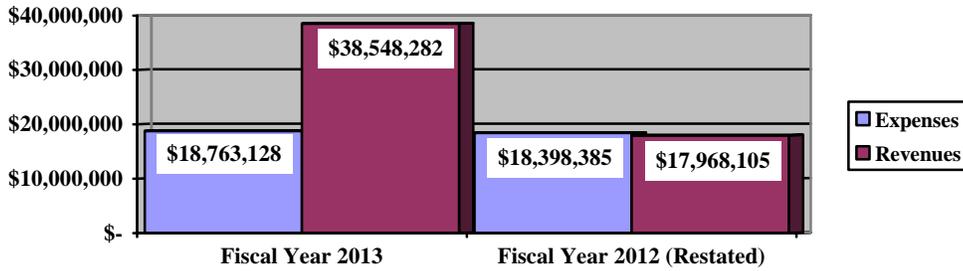
Governmental Activities

Net position of the District's governmental activities increased \$19,785,154. Total governmental expenses of \$18,763,128 were offset by program revenues of \$3,105,267 and general revenues of \$35,443,015. Program revenues supported 16.55% 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 91.17% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,173,341 or 54.22% of total governmental expenses for fiscal year 2013.

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2013 and 2012.

Governmental Activities - Revenues and Expenses



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. 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 2013 and 2012. 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 <u>2013</u>	Net Cost of Services <u>2013</u>	(Restated) Total Cost of Services <u>2012</u>	(Restated) Net Cost of Services <u>2012</u>
Program expenses				
Instruction:				
Regular	\$ 8,089,685	\$ 6,797,722	\$ 7,812,891	\$ 6,843,958
Special	1,908,297	1,199,274	1,752,181	1,077,725
Vocational	73,140	60,277	106,481	93,618
Other	102,219	78,581	100,517	80,678
Support services:				
Pupil	982,553	867,297	1,018,365	869,005
Instructional staff	438,155	355,604	507,328	415,462
Board of education	31,080	31,080	51,535	51,535
Administration	1,328,357	1,305,944	1,170,114	1,156,419
Fiscal	486,395	483,538	497,950	492,845
Operations and maintenance	1,489,655	1,483,642	1,273,567	1,262,905
Pupil transportation	922,047	859,357	963,081	890,500
Central	347,854	332,228	478,171	472,464
Operations of non-instructional services:				
Food service operations	533,896	(4,413)	542,523	(40,042)
Latchkey operations	61,874	(7,710)	54,577	(11,843)
Other non-instructional services	121,521	45,490	62,265	(14,303)
Extracurricular activities	456,214	379,764	522,179	434,234
Interest and fiscal charges	1,292,291	1,292,291	1,363,542	1,363,542
Bond issuance costs	97,895	97,895	121,118	121,118
Total expenses	<u>\$ 18,763,128</u>	<u>\$ 15,657,861</u>	<u>\$ 18,398,385</u>	<u>\$ 15,559,820</u>

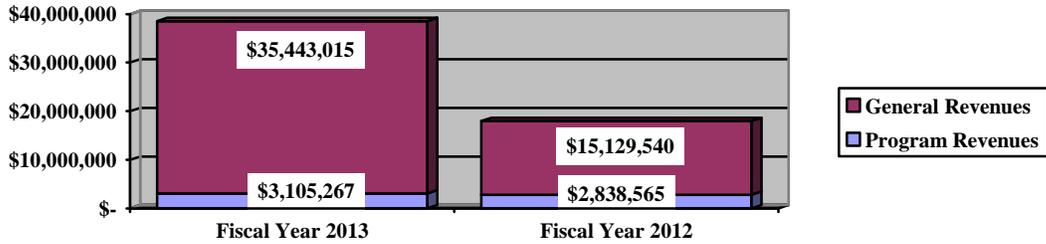
The dependence upon taxes and other general revenues for governmental activities is apparent, as 79.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.45%. The District's taxpayers and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$11,061,851, which is less than last year's total balance of \$11,276,812. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012.

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase/</u> <u>(Decrease)</u>
General	\$ 2,905,115	\$ 4,148,948	\$ (1,243,833)
Building	-	4,552,537	(4,552,537)
Classroom facilities	5,430,362	-	5,430,362
Nonmajor governmental	<u>2,726,374</u>	<u>2,575,327</u>	<u>151,047</u>
Total	<u>\$ 11,061,851</u>	<u>\$ 11,276,812</u>	<u>\$ (214,961)</u>

General Fund

The District's general fund balance decreased \$1,243,833.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,060,572	\$ 5,249,981	\$ (189,409)	(3.61) %
Tuition	1,131,481	930,521	200,960	21.60 %
Earnings on investments	19,037	24,201	(5,164)	(21.34) %
Decrease in fair value of investments	(6,297)	-	(6,297)	(100.00) %
Intergovernmental	7,040,578	7,191,791	(151,213)	(2.10) %
Other revenues	<u>462,064</u>	<u>435,198</u>	<u>26,866</u>	6.17 %
Total	<u>\$ 13,707,435</u>	<u>\$ 13,831,692</u>	<u>\$ (124,257)</u>	(0.90) %
<u>Expenditures</u>				
Instruction	\$ 9,081,226	\$ 8,237,674	\$ 843,552	10.24 %
Support services	5,403,540	5,396,177	7,363	0.14 %
Operation of non-instructional services	72,466	59,768	12,698	21.25 %
Extracurricular activities	275,696	303,667	(27,971)	(9.21) %
Debt service	<u>90,240</u>	<u>90,240</u>	<u>-</u>	- %
Total	<u>\$ 14,923,168</u>	<u>\$ 14,087,526</u>	<u>\$ 835,642</u>	5.93 %

Overall revenues of the general fund decreased \$124,257 or 0.90% during fiscal year 2013.

Tuition revenue increased \$200,960 or 21.60% due to a substantial increase in open enrollment receipts. The decrease in earnings on investments and the related decrease in fair value of investments are related to the declining performance of the District's investment accounts. All other revenue classifications remained comparable to fiscal year 2012 totals.

Overall expenditures of the general fund increased \$835,642 or 5.93% during fiscal year 2013.

Instruction expenditures increased \$843,552 or 10.24% mainly due to certain personnel costs that were previously paid for through education jobs federal funding during fiscal year 2012 being paid for out of the general fund during fiscal year 2013. All other expenditure classifications remained comparable to fiscal year 2012 totals.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Building Fund

The District's building fund balance decreased \$4,552,537.

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Earnings on investments	\$ 5,656	\$ 21,745	\$ (16,089)	(73.99) %
Decrease in fair value of investments	(2,084)	-	(2,084)	(100.00) %
Other revenues	<u>1,950</u>	<u>6,950</u>	<u>(5,000)</u>	(71.94) %
Total	<u>\$ 5,522</u>	<u>\$ 28,695</u>	<u>\$ (23,173)</u>	(80.76) %
<u>Expenditures</u>				
Support services	\$ 2,821	\$ 13,914	\$ (11,093)	(79.73) %
Facilities acquisition and construction	<u>4,555,238</u>	<u>6,292,686</u>	<u>(1,737,448)</u>	(27.61) %
Total	<u>\$ 4,558,059</u>	<u>\$ 6,306,600</u>	<u>\$ (1,748,541)</u>	(27.73) %

The decrease in earnings on investments and the related decrease in fair value of investments are related to the declining performance of the District's investment accounts.

During fiscal year 2013, the District made significant expenditures related to the construction of a new middle school, which was completed during the fiscal year and resulted in an ending building fund balance of \$0.

Classroom Facilities Fund

The District's classroom facilities fund balance increased \$5,430,362.

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Earnings on investments	\$ 2,710	\$ -	\$ 2,710	100.00 %
Intergovernmental	<u>6,293,425</u>	<u>-</u>	<u>6,293,425</u>	100.00 %
Total	<u>\$ 6,296,135</u>	<u>\$ -</u>	<u>\$ 6,296,135</u>	100.00 %
<u>Expenditures</u>				
Facilities acquisition and construction	<u>\$ 865,773</u>	<u>\$ -</u>	<u>\$ 865,773</u>	100.00 %
Total	<u>\$ 865,773</u>	<u>\$ -</u>	<u>\$ 865,773</u>	100.00 %

During fiscal year 2013, the District established the classroom facilities fund to account for the financial activity of the District's OSFC project, which is intended for capital improvements of District facilities, including the construction of a new elementary school.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$13,724,446, which was more than the original budgeted revenues and other financing sources estimate of \$13,177,382. Actual revenues and other financing sources for fiscal year 2013 were \$13,674,986. This represents a \$49,460 decrease from final budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$15,158,441, which is \$690,699 more than the original budgeted appropriations and other financing uses of \$14,467,742. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$14,820,159, which was \$338,282 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$29,514,547 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2013 balances compared to June 30, 2012:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 521,816	\$ 521,816
Construction in progress	891,987	6,988,082
Land improvements	2,477,758	2,645,679
Buildings and improvements	24,776,211	13,792,480
Furniture and equipment	576,162	520,826
Vehicles	270,613	339,719
Total	<u>\$ 29,514,547</u>	<u>\$ 24,808,602</u>

The overall increase in capital assets of \$4,705,945 is due to capital asset additions of \$5,662,247 exceeding depreciation expense of \$956,302 during fiscal year 2013.

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

Debt Administration

At June 30, 2013, the District had \$24,757,882 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also had \$203,859 and \$702,000 in capital lease obligations and lease-purchase agreement obligations outstanding, respectively. Of the total debt obligations outstanding at June 30, 2013, \$398,703 is due within one year and \$25,265,038 is due in more than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Outstanding Debt, at Year End

	Governmental Activities 2013	Governmental Activities 2012
General obligation bonds	\$ 23,795,000	\$ 24,070,000
Capital appreciation bonds	838,807	769,713
Accreted interest	124,075	50,531
Capital lease obligation	203,859	274,684
Lease-purchase agreement	702,000	752,000
Total	<u>\$ 25,663,741</u>	<u>\$ 25,916,928</u>

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

Current Financial Related Activities

The short-term financial outlook for the District is discouraging. During the current fiscal year, the District's overall governmental fund balance decreased. The long-term financial outlook (fiscal years 2014-2018) continues to be challenging as expenditures will outpace revenues at a faster rate each year. The Board of Education adopted a cash reserve policy in December 2012 establishing a target reserve balance of \$2,500,000. The policy indicates the Treasurer shall identify any month the cash balance falls below the cash reserve target amount. The most recent five-year forecast projects the general fund reaching the target reserve in fiscal year 2015. The Board of Education anticipates placing an operating levy on the August 2014 ballot. The Board of Education and administration continue to closely monitor District revenues and expenditures in accordance with the District financial forecast.

The District obtains approximately 51% of its general fund revenue from the federal and State governments, 37% from local property taxes and 12% from other local sources. There are challenges ahead for the District on both the State and local fronts that will largely impact the financial future of the District.

The State budget for fiscal years 2014-2015 includes a new formula to fund school districts (HB59). The current structure of the funding formula will place the District on the guarantee at an estimated amount of \$1,600,000 in fiscal year 2014 and \$1,500,000 in fiscal year 2015. Therefore, the District will not see any increase in State funding over the next biennium.

Locally, the District receives approximately 37% of its general fund revenue from local property taxes. Property taxes are driven by voted rates and property values. Local valuation growth is largely driven by a county auditor reappraisal/update conducted every three years. On average, this would yield a 12-14% increase in value for the District. However, continued market decline has resulted in the District experiencing a significant drop in residential real estate values for its reappraisal in calendar year 2012. This resulted in a loss of revenue of over \$100,000 from fiscal year 2012 to fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The District did see a favorable increase in open enrollment during fiscal year 2013, resulting in an increase in tuition cash receipts. Even with the offset of the increase in open enrollment, the declines in State and local revenues will necessitate the District to seek additional funding sources in the fall of 2014.

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 11,946,854
Cash with fiscal agents	14,541
Investment with fiscal agent	483,563
Receivables:	
Taxes	6,911,425
Accounts.	36,504
Intergovernmental	15,079,688
Accrued interest	4,781
Prepayments	33,001
Materials and supplies inventory.	13,606
Capital assets:	
Land and construction in progress.	1,413,803
Depreciable capital assets, net.	28,100,744
Capital assets, net	<u>29,514,547</u>
Total assets.	<u>64,038,510</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,061,764
Total deferred outflows of resources	<u>1,061,764</u>
 Liabilities:	
Accounts payable.	112,805
Contracts payable.	140,613
Retainage payable	198,384
Accrued wages and benefits	1,199,535
Pension obligation payable.	288,398
Intergovernmental payable	44,567
Accrued interest payable	95,483
Matured bond and interest payable.	5,000
Long-term liabilities:	
Due within one year.	635,528
Due in more than one year.	27,274,797
Total liabilities	<u>29,995,110</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	5,646,623
Total deferred inflows of resources	<u>5,646,623</u>
 Net position:	
Net investment in capital assets	3,218,793
Restricted for:	
Capital projects	21,185,886
Classroom facilities maintenance	132,131
Debt service.	1,538,510
Locally funded programs	4,619
State funded programs.	2,425
Federally funded programs	34,096
Other purposes	275,616
Unrestricted	3,066,465
Total net position.	<u>\$ 29,458,541</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 8,089,685	\$ 1,134,614	\$ 8,432	\$ 148,917	\$ (6,797,722)
Special	1,908,297	78,169	630,854	-	(1,199,274)
Vocational	73,140	-	12,863	-	(60,277)
Other	102,219	-	23,638	-	(78,581)
Support services:					
Pupil	982,553	13,264	101,992	-	(867,297)
Instructional staff	438,155	233	82,318	-	(355,604)
Board of education	31,080	-	-	-	(31,080)
Administration	1,328,357	-	22,413	-	(1,305,944)
Fiscal	486,395	-	-	2,857	(483,538)
Operations and maintenance	1,489,655	5,222	-	791	(1,483,642)
Pupil transportation	922,047	-	62,690	-	(859,357)
Central	347,854	-	5,400	10,226	(332,228)
Operation of non-instructional services:					
Food service operations	533,896	304,011	234,298	-	4,413
Latchkey operations	61,874	69,584	-	-	7,710
Other non-instructional services	121,521	-	76,031	-	(45,490)
Extracurricular activities	456,214	75,616	834	-	(379,764)
Interest and fiscal charges	1,292,291	-	-	-	(1,292,291)
Bond issuance costs	97,895	-	-	-	(97,895)
Total governmental activities	\$ 18,763,128	\$ 1,680,713	\$ 1,261,763	\$ 162,791	(15,657,861)

General revenues:

Property taxes levied for:	
General purposes	5,095,630
Debt service	1,154,297
Capital outlay	90,534
Special revenue	132,131
Grants and entitlements not restricted to specific programs	7,377,981
Grants and entitlements restricted for Ohio School Facilities Commission	21,293,978
Investment earnings	35,057
Decrease in fair value of investments	(35,232)
Miscellaneous	298,639
Total general revenues	35,443,015
Change in net position	19,785,154
Net position at beginning of year (restated).	9,673,387
Net position at end of year	\$ 29,458,541

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,026,353	\$ 5,523,446	\$ 2,397,055	\$ 11,946,854
Cash with fiscal agents	-	-	14,541	14,541
Investment with fiscal agent	-	-	483,563	483,563
Receivables:				
Taxes	5,482,818	-	1,428,607	6,911,425
Accounts	36,504	-	-	36,504
Intergovernmental	38,484	15,000,553	40,651	15,079,688
Accrued interest	2,074	-	2,707	4,781
Prepayments	17,201	15,800	-	33,001
Materials and supplies inventory	-	-	13,606	13,606
Total assets.	<u>\$ 9,603,434</u>	<u>\$ 20,539,799</u>	<u>\$ 4,380,730</u>	<u>\$ 34,523,963</u>
Liabilities:				
Accounts payable	\$ 53,743	\$ -	\$ 59,062	\$ 112,805
Contracts payable	-	108,884	31,729	140,613
Retainage payable	-	-	198,384	198,384
Accrued wages and benefits	1,153,192	-	46,343	1,199,535
Compensated absences payable	142,560	-	-	142,560
Retirement incentive payable	49,205	-	-	49,205
Pension obligation payable	270,117	-	18,281	288,398
Intergovernmental payable	42,268	-	2,299	44,567
Matured bond and interest payable	-	-	5,000	5,000
Total liabilities.	<u>1,711,085</u>	<u>108,884</u>	<u>361,098</u>	<u>2,181,067</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	4,494,775	-	1,151,848	5,646,623
Delinquent property tax revenue not available	478,275	-	137,176	615,451
Accrued interest not available.	55	-	1,105	1,160
Other nonexchange transactions not available	-	15,000,553	3,129	15,003,682
Intergovernmental revenue not available.	14,129	-	-	14,129
Total deferred inflows of resources	<u>4,987,234</u>	<u>15,000,553</u>	<u>1,293,258</u>	<u>21,281,045</u>
Fund balances:				
Nonspendable:				
Prepayments	17,201	15,800	-	33,001
Materials and supplies inventory.	-	-	13,606	13,606
Restricted:				
Debt service	-	-	1,644,833	1,644,833
Capital improvements	-	5,414,562	499,812	5,914,374
Classroom facilities maintenance	-	-	132,131	132,131
Food service operations	-	-	264,407	264,407
Non-public schools	-	-	2,425	2,425
Special education	-	-	14,763	14,763
Targeted academic assistance	-	-	13,917	13,917
Other purposes.	-	-	15,467	15,467
Committed:				
Capital improvements	-	-	125,427	125,427
Assigned:				
Student instruction	219,341	-	-	219,341
Student and staff support.	227,133	-	-	227,133
Extracurricular activities	486	-	-	486
School supplies	24,709	-	-	24,709
Child care programs.	44,025	-	-	44,025
Health and wellness	6,553	-	-	6,553
Future appropriations	265,495	-	-	265,495
Unassigned (deficit).	2,100,172	-	(414)	2,099,758
Total fund balances	<u>2,905,115</u>	<u>5,430,362</u>	<u>2,726,374</u>	<u>11,061,851</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 9,603,434</u>	<u>\$ 20,539,799</u>	<u>\$ 4,380,730</u>	<u>\$ 34,523,963</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, 2013

Total governmental fund balances		\$ 11,061,851
<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.		29,514,547
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Taxes receivable	\$ 615,451	
Intergovernmental receivable	15,017,811	
Accrued interest receivable	<u>1,160</u>	
Total		15,634,422
Unamortized premiums on bond issuances are not recognized in the funds.		(1,478,855)
Unamortized deferred amounts on refundings are not recognized in the funds.		1,061,764
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(24,757,882)	
Capital lease obligation payable	(203,859)	
Lease-purchase agreement payable	(702,000)	
Compensated absences payable	(575,964)	
Accrued interest payable	<u>(95,483)</u>	
Total		<u>(26,335,188)</u>
Net position of governmental activities		<u><u>\$ 29,458,541</u></u>

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, 2013

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 5,060,572	\$ -	\$ -	\$ 1,378,977	\$ 6,439,549
Tuition and fees	1,131,481	-	-	-	1,131,481
Charges for services	52	-	-	304,011	304,063
Earnings on investments	19,037	5,656	2,710	10,059	37,462
Decrease in fair value of investments	(6,297)	(2,084)	-	(26,851)	(35,232)
Extracurricular.	13,459	-	-	75,602	89,061
Classroom materials and fees	76,865	-	-	-	76,865
Rental income	5,222	-	-	-	5,222
Contributions and donations	-	-	-	164,791	164,791
Contract services.	4,437	-	-	-	4,437
Other local revenues	362,029	1,950	-	11,676	375,655
Intergovernmental - intermediate	-	-	-	10,072	10,072
Intergovernmental - state	7,028,356	-	6,293,425	301,122	13,622,903
Intergovernmental - federal	12,222	-	-	1,303,501	1,315,723
Total revenues	<u>13,707,435</u>	<u>5,522</u>	<u>6,296,135</u>	<u>3,532,960</u>	<u>23,542,052</u>
Expenditures:					
Current:					
Instruction:					
Regular.	7,392,682	-	-	13,027	7,405,709
Special	1,506,763	-	-	400,904	1,907,667
Vocational	103,756	-	-	-	103,756
Other	78,025	-	-	24,424	102,449
Support services:					
Pupil	909,696	-	-	107,949	1,017,645
Instructional staff	361,157	-	-	73,965	435,122
Board of education	31,246	-	-	-	31,246
Administration	1,315,047	-	-	22,330	1,337,377
Fiscal	454,443	1,133	-	24,929	480,505
Operations and maintenance	1,166,899	1,688	-	1,254	1,169,841
Pupil transportation	854,170	-	-	149	854,319
Central	310,882	-	-	26,773	337,655
Operation of non-instructional services:					
Food service operations.	-	-	-	524,803	524,803
Latchkey operations	61,874	-	-	-	61,874
Other non-instructional services.	10,592	-	-	111,012	121,604
Extracurricular activities.	275,696	-	-	107,234	382,930
Facilities acquisition and construction	-	4,555,238	865,773	489,736	5,910,747
Debt service:					
Principal retirement.	70,825	-	-	255,000	325,825
Interest and fiscal charges	19,415	-	-	1,226,524	1,245,939
Bond issuance costs	-	-	-	97,895	97,895
Total expenditures	<u>14,923,168</u>	<u>4,558,059</u>	<u>865,773</u>	<u>3,507,908</u>	<u>23,854,908</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,215,733)</u>	<u>(4,552,537)</u>	<u>5,430,362</u>	<u>25,052</u>	<u>(312,856)</u>
Other financing sources (uses):					
Sale of refunding bonds.	-	-	-	4,339,094	4,339,094
Premium on refunding bonds	-	-	-	408,233	408,233
Payment to refunded bond escrow agent	-	-	-	(4,649,432)	(4,649,432)
Transfers in.	-	-	-	28,100	28,100
Transfers (out)	(28,100)	-	-	-	(28,100)
Total other financing sources (uses)	<u>(28,100)</u>	<u>-</u>	<u>-</u>	<u>125,995</u>	<u>97,895</u>
Net change in fund balances	<u>(1,243,833)</u>	<u>(4,552,537)</u>	<u>5,430,362</u>	<u>151,047</u>	<u>(214,961)</u>
Fund balances at beginning of year.	<u>4,148,948</u>	<u>4,552,537</u>	<u>-</u>	<u>2,575,327</u>	<u>11,276,812</u>
Fund balances at end of year.	<u>\$ 2,905,115</u>	<u>\$ -</u>	<u>\$ 5,430,362</u>	<u>\$ 2,726,374</u>	<u>\$ 11,061,851</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, 2013

Net change in fund balances - total governmental funds	\$	(214,961)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 5,662,247	
Current year depreciation	(956,302)	
Total		4,705,945
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	33,043	
Earnings on investments	(1,730)	
Intergovernmental revenue	14,981,006	
Total		15,012,319
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	9,503	
Increase in accreted interest on "capital appreciation" bonds	(73,544)	
Amortization of bond premiums	75,684	
Amortization of deferred charges on refundings	(57,995)	
Total		(46,352)
Issuance of refunding bonds is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as revenues as it increases liabilities on the statement of net position.		
		(4,339,094)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:		
Bonds refunded	4,340,000	
Deferred charges on refundings	309,432	
Total		4,649,432
Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(408,233)
Repayments of bonds, capital lease obligations and lease-purchase agreements are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		325,825
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.		
		100,273
Change in net position of governmental activities	\$	19,785,154

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,928,755	\$ 5,132,399	\$ 5,123,404	\$ (8,995)
Tuition and fees	850,980	1,150,012	1,142,457	(7,555)
Earnings on investments	27,628	18,031	17,706	(325)
Classroom materials and fees	58,865	67,870	65,866	(2,004)
Rental income	8,341	6,759	5,192	(1,567)
Contract services.	842	8,413	7,498	(915)
Other local revenues	217,425	218,835	210,443	(8,392)
Intergovernmental - state	7,001,003	7,042,136	7,028,356	(13,780)
Intergovernmental - federal	29,807	15,016	9,203	(5,813)
Total revenues	<u>13,123,646</u>	<u>13,659,471</u>	<u>13,610,125</u>	<u>(49,346)</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,769,367	6,963,349	6,887,614	75,735
Special.	1,496,936	1,734,487	1,718,475	16,012
Vocational.	111,115	108,033	105,045	2,988
Other.	83,214	83,964	79,862	4,102
Support services:				
Pupil.	847,698	831,382	815,439	15,943
Instructional staff	402,086	409,739	385,640	24,099
Board of education	46,423	48,995	41,671	7,324
Administration.	1,224,010	1,353,880	1,323,355	30,525
Fiscal	450,614	488,176	465,959	22,217
Operations and maintenance.	1,260,046	1,355,871	1,317,149	38,722
Pupil transportation	942,137	940,208	911,498	28,710
Central.	403,185	375,206	349,108	26,098
Extracurricular activities.	330,057	312,779	276,244	36,535
Total expenditures	<u>14,366,888</u>	<u>15,006,069</u>	<u>14,677,059</u>	<u>329,010</u>
Excess of expenditures over revenues.	<u>(1,243,242)</u>	<u>(1,346,598)</u>	<u>(1,066,934)</u>	<u>279,664</u>
Other financing sources (uses):				
Refund of prior year expenditures	30,141	40,923	40,851	(72)
Transfers (out).	(100,854)	(152,372)	(143,100)	9,272
Advances in.	23,595	24,052	24,010	(42)
Total other financing sources (uses)	<u>(47,118)</u>	<u>(87,397)</u>	<u>(78,239)</u>	<u>9,158</u>
Net change in fund balance	(1,290,360)	(1,433,995)	(1,145,173)	288,822
Fund balance at beginning of year	4,298,183	4,298,183	4,298,183	-
Prior year encumbrances appropriated	298,187	298,187	298,187	-
Fund balance at end of year	<u>\$ 3,306,010</u>	<u>\$ 3,162,375</u>	<u>\$ 3,451,197</u>	<u>\$ 288,822</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 44,150
Total assets.	<u>\$ 44,150</u>
Liabilities:	
Accounts payable.	\$ 429
Due to students.	43,721
Total liabilities	<u>\$ 44,150</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 88 non-certified and 111 certified personnel to provide services to approximately 1,666 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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

North Coast Council (NCC)

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

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of 14 school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to the LERC on a per pupil or actual usage charge. The LERC Assembly consists of a Superintendent or designated representative from each participating school district and the fiscal agent. The LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2013, the District paid \$1,589,424 to the LERC. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization comprised of one hundred and fifty-seven member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven Superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2013, the District paid \$51,559 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain 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.

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

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.

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, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures related to debt service activities.

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 fund accounts for student activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

Deferred outflows of resources consist of unamortized deferred charges on debt refunding as reported on the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

F. Cash and Investments

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

During fiscal year 2013, investments were limited to federal agency securities, repurchase agreements, non-negotiable certificates of deposit, U.S. Government money market funds, U.S. Treasury Notes (held by a fiscal agent) and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$19,037, which includes \$3,154 assigned from other District funds.

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 year end is provided in Note 4.

G. Inventory

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

On the fund financial statements, reported 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 net current assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable" and "interfund loans payable". These amounts are eliminated in the governmental activities column on the statement of net position. The District did not have any outstanding interfund balances as of June 30, 2013.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.

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 District had no net position restricted for enabling legislation. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

On the government-wide financial statements, bond issuance costs are expensed during the fiscal year in which they are incurred. The District restated net position at June 30, 2012 due to the elimination of previously reported unamortized bond issuance costs as described in Note 3.A.

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as 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 bond's face value and the amount reported on the statement of net position is presented in Note 11A.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the District, the implementation of GASB Statement No. 65 has changed (1) the classification of certain items, including the deferral of property taxes levied for the subsequent fiscal year, previously reported as liabilities to *deferred inflows of resources*, (2) the classification of unamortized deferred charges on debt refunding transactions from a reduction of liabilities to *deferred outflows of resources*, (3) the reporting of debt issuance costs to an expense in the period incurred rather than amortized over the term of the related debt issuance and (4) net assets of the District as previously reported to remove unamortized bond issuance costs previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 65 had the following effect on net assets as previously reported:

	Governmental Activities
Net assets as previously reported	\$ 10,008,182
Removal of unamortized bond issuance costs	(334,795)
Net position at July 1, 2012	\$ 9,673,387

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
District managed student activity	\$ 414

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agents

At June 30, 2013, the District had \$5,000 held by a fiscal agent in a bond and coupon account related to matured bond and interest and \$9,541 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, 2013, the District had \$209,737 in federal agency securities and \$273,826 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 financial statements.

C. Cash on Hand

At June 30, 2013, the District had \$100 in cash on hand. This amount is reported as "equity in pooled cash and investments" on the financial statements.

D. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$2,957,686. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$1,410,949 of the District's bank balance of \$3,075,087 was exposed to custodial risk as discussed below, while \$1,664,138 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
U.S. Government						
money market funds	\$ 73,855	\$ 73,855	\$ -	\$ -	\$ -	\$ -
FHLB	1,399,448	400,126	500,840	-	199,970	298,512
FNMA	150,440	150,440	-	-	-	-
FFCB	298,524	-	-	-	-	298,524
Repurchase agreement	7,060,000	7,060,000	-	-	-	-
STAR Ohio	50,951	50,951	-	-	-	-
Total	\$ 9,033,218	\$ 7,735,372	\$ 500,840	\$ -	\$ 199,970	\$ 597,036

The weighted average maturity of investments is 0.27 years.

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

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

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 (some of which are held by a fiscal agent) and U.S. Treasury Notes held by a fiscal agent are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the fair value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Government		
money market funds	\$ 73,855	0.82
FHLB	1,399,448	15.49
FNMA	150,440	1.67
FFCB	298,524	3.30
Repurchase agreement	7,060,000	78.16
STAR Ohio	<u>50,951</u>	<u>0.56</u>
Total	<u>\$ 9,033,218</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, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,957,686
Investments	9,033,218
Cash on hand	100
Cash with fiscal agents	14,541
Investment with fiscal agent	<u>483,563</u>
Total	<u>\$12,489,108</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$12,444,958
Agency fund	<u>44,150</u>
Total	<u>\$12,489,108</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 28,100</u>

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$509,768 in the general fund, \$117,021 in the debt service fund (a nonmajor governmental fund) and \$22,562 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$572,600 in the general fund, \$150,921 in the debt service fund (a nonmajor governmental fund) and \$24,616 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 252,957,500	95.72	\$ 226,640,100	95.02
Public utility personal	<u>11,305,270</u>	<u>4.28</u>	<u>11,875,840</u>	<u>4.98</u>
Total	<u>\$ 264,262,770</u>	<u>100.00</u>	<u>\$ 238,515,940</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.10		\$ 49.82	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 6,911,425
Accounts	36,504
Intergovernmental	15,079,688
Accrued interest	<u>4,781</u>
Total receivables	<u>\$ 22,032,398</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year with the exception of the \$15,000,553 Ohio School Facilities Commission (OSFC) receivable, which is expected to be collected over the life of the project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 521,816	\$ -	\$ -	\$ 521,816
Construction in progress	<u>6,988,082</u>	<u>5,378,579</u>	<u>(11,474,674)</u>	<u>891,987</u>
Total capital assets, not being depreciated	<u>7,509,898</u>	<u>5,378,579</u>	<u>(11,474,674)</u>	<u>1,413,803</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,642,379	-	-	3,642,379
Buildings and improvements	20,112,355	11,570,342	-	31,682,697
Furniture and equipment	952,786	188,000	-	1,140,786
Vehicles	<u>1,267,242</u>	<u>-</u>	<u>-</u>	<u>1,267,242</u>
Total capital assets, being depreciated	<u>25,974,762</u>	<u>11,758,342</u>	<u>-</u>	<u>37,733,104</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(996,700)	(167,921)	-	(1,164,621)
Buildings and improvements	(6,319,875)	(586,611)	-	(6,906,486)
Furniture and equipment	(431,960)	(132,664)	-	(564,624)
Vehicles	<u>(927,523)</u>	<u>(69,106)</u>	<u>-</u>	<u>(996,629)</u>
Total accumulated depreciation	<u>(8,676,058)</u>	<u>(956,302)</u>	<u>-</u>	<u>(9,632,360)</u>
Governmental activities capital assets, net	<u>\$ 24,808,602</u>	<u>\$ 16,180,619</u>	<u>\$ (11,474,674)</u>	<u>\$ 29,514,547</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 703,646
Support services:	
Instructional staff	3,350
Administration	19,001
Fiscal	2,664
Operations and maintenance	70,762
Pupil transportation	66,712
Central	11,368
Extracurricular activities	73,284
Food service operations	<u>5,515</u>
Total depreciation expense	<u>\$ 956,302</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 \$50,000 during fiscal year 2013.

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, 2013:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2014	\$ 80,970
2015	80,698
2016	80,341
2017	80,877
2018	80,306
2019 - 2023	397,405
2024	<u>78,650</u>
Total minimum lease payments	879,247
Less: amount representing interest	<u>(177,247)</u>
Present value of minimum lease payments	<u>\$ 702,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$372,368. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 for this equipment was \$186,184, leaving a current book value of \$186,184. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2013 totaled \$70,825 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, 2013:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 90,240
2015	90,240
2016	<u>45,120</u>
Total minimum lease payments	225,600
Less: amount representing interest	<u>(21,741)</u>
Total	<u>\$ 203,859</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds - series 2004					
Current interest bonds	\$ 4,510,000	\$ -	\$ (4,510,000)	\$ -	\$ -
Capital appreciation bonds	275,000	-	-	275,000	135,000
General obligation bonds - series 2010					
Current interest bonds	11,100,000	-	-	11,100,000	-
Capital appreciation bonds	399,987	-	-	399,987	-
Accreted interest	50,531	38,220	-	88,751	-
Refunding bonds - series 2012					
Current interest bonds	8,460,000	-	(35,000)	8,425,000	55,000
Capital appreciation bonds	94,726	-	-	94,726	-
Accreted interest	-	25,457	-	25,457	-
Refunding bonds - series 2013					
Current interest bonds	-	4,270,000	-	4,270,000	80,000
Capital appreciation bonds	-	69,094	-	69,094	-
Accreted interest	-	9,867	-	9,867	-
Total general obligation bonds	<u>24,890,244</u>	<u>4,412,638</u>	<u>(4,545,000)</u>	<u>24,757,882</u>	<u>270,000</u>
Lease-purchase agreement	752,000	-	(50,000)	702,000	52,000
Capital lease obligation	274,684	-	(70,825)	203,859	76,703
Retirement incentive	10,673	53,765	(15,233)	49,205	49,205
Compensated absences	<u>737,572</u>	<u>120,265</u>	<u>(139,313)</u>	<u>718,524</u>	<u>187,620</u>
Total governmental activities long-term liabilities	<u>\$ 26,665,173</u>	<u>\$ 4,586,668</u>	<u>\$ (4,820,371)</u>	<u>26,431,470</u>	<u>\$ 635,528</u>
Unamortized bond premiums				<u>1,478,855</u>	
Total on statement of net position				<u>\$ 27,910,325</u>	

Series 2004 School Improvement General Obligation Bonds

During fiscal year 2004, the District issued \$17,500,000 in general obligation bonds. The issue was comprised of both current interest bonds, par value \$17,225,000, and capital appreciation bonds par value \$275,000. The proceeds of these bonds were used to provide long-term financing of the District's capital improvements for school facilities. During fiscal year 2012, a portion of the series 2004 general obligation bonds was refunded in the amount of \$8,555,000. As part of that refunding, the District is no longer liable for the accreted value at maturity on the series 2004 capital appreciation bonds, which will now mature at par value on December 1, 2013 and December 1, 2014 in the amounts of \$135,000 and \$140,000, respectively. Following the fiscal year 2013 principal payment on the current interest bonds in the amount of \$170,000, the remaining balance of the series 2004 current interest bonds was refunded in the amount of \$4,340,000. Principal and interest payments were made from the debt service fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2010 School Improvement General Obligation Bonds

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

The issue is comprised of both current interest bonds, par value \$11,100,000, and capital appreciation bonds par value \$399,987. The interest rates on the current interest bonds range from 6.75%-7.20%. The capital appreciation bonds mature on December 1, 2029 (stated interest rate 5.93%), December 1, 2030 (stated interest rate 6.01%), December 1, 2031 (stated interest rate 6.09%), December 1, 2032 (stated interest rate 6.17%) and December 1, 2033 (stated interest rate 6.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,190,000. Total accreted interest of \$88,751 for series 2010 has been included on the statement of net position at June 30, 2013.

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.

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 (effective interest rate 25.60%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2019 is \$575,000. Total accreted interest of \$25,457 for series 2012 has been included on the statement of net position at June 30, 2013. Principal and interest payments are made from the debt service fund (a nonmajor governmental 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 (effective 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 \$9,867 for series 2013 has been included on the statement of net position at June 30, 2013. Principal and interest payments are made from the debt service fund (a nonmajor governmental 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. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2030 by \$1,113,752 and resulted in an economic gain of \$901,435.

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.

Retirement Incentive

During fiscal year 2013, 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, 2013, the District's liability for this retirement incentive plan was \$49,205. The entire balance is recorded as retirement incentive payable in the general fund.

Compensated Absences

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

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

<u>Fiscal Year</u>	<u>Capital Appreciation - Series 2004</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 135,000	\$ -	\$ 135,000
2015	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total	<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ -	\$ 770,572	\$ 770,572	\$ -	\$ -	\$ -
2015	-	770,573	770,573	-	-	-
2016	-	770,572	770,572	-	-	-
2017	-	770,573	770,573	-	-	-
2018	-	770,572	770,572	-	-	-
2019 - 2023	-	3,852,863	3,852,863	-	-	-
2024 - 2028	-	3,852,863	3,852,863	-	-	-
2029 - 2033	6,475,000	2,164,006	8,639,006	332,945	1,422,055	1,755,000
2034 - 2038	2,975,000	1,119,870	4,094,870	67,042	367,958	435,000
2039 - 2041	1,650,000	176,760	1,826,760	-	-	-
Total	\$ 11,100,000	\$ 15,019,224	\$ 26,119,224	\$ 399,987	\$ 1,790,013	\$ 2,190,000

Fiscal Year	Current Interest - Refunding Series 2012			Capital Appreciation - Refunding Series 2012		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 55,000	\$ 274,525	\$ 329,525	\$ -	\$ -	\$ -
2015	60,000	273,375	333,375	-	-	-
2016	60,000	272,175	332,175	-	-	-
2017	60,000	270,975	330,975	-	-	-
2018	60,000	269,775	329,775	-	-	-
2019 - 2023	2,065,000	1,226,225	3,291,225	94,726	480,274	575,000
2024 - 2028	4,815,000	572,362	5,387,362	-	-	-
2029	1,250,000	18,750	1,268,750	-	-	-
Total	\$ 8,425,000	\$ 3,178,162	\$ 11,603,162	\$ 94,726	\$ 480,274	\$ 575,000

Fiscal Year	Current Interest - Refunding Series 2013			Capital Appreciation - Refunding Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 80,000	\$ 99,350	\$ 179,350	\$ -	\$ -	\$ -
2015	65,000	97,900	162,900	-	-	-
2016	335,000	93,900	428,900	-	-	-
2017	405,000	86,500	491,500	-	-	-
2018	435,000	78,100	513,100	-	-	-
2019 - 2023	-	368,750	368,750	69,094	395,906	465,000
2024 - 2028	-	368,750	368,750	-	-	-
2029 - 2031	2,950,000	148,375	3,098,375	-	-	-
Total	\$ 4,270,000	\$ 1,341,625	\$ 5,611,625	\$ 69,094	\$ 395,906	\$ 465,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- 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.

<u>Fiscal Year</u>	<u>Amounts Due</u>	<u>Amounts Deposited</u>
2012	\$ 215,000	\$ 215,000
2013	290,000	290,000
2014	290,000	-
2015	300,000	-
2016	300,000	-
2017 - 2021	1,500,000	-
2022 - 2026	1,500,000	-
2027 - 2029	900,000	-
	<u>\$ 5,295,000</u>	<u>\$ 505,000</u>

- 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, 2013, are a voted debt margin of \$(1,522,539) (including available funds of \$1,644,833) and an unvoted debt margin of \$238,516. 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 2013, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Employee Health and Dental

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

C. Workers' Compensation Group Rating Plan

For fiscal year 2013, the District participated in the Ohio Schools Council Workers' Compensation Group Rating Program (GRP) (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$268,292, \$267,212 and \$237,332, respectively; 76.60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$924,070, \$904,448 and \$891,185, respectively; 83.45 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$21,947 made by the District and \$15,676 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$33,408, \$40,445 and \$57,049, respectively; 76.60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$15,155, \$15,780 and \$15,273, respectively; 76.60 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$71,082, \$69,573 and \$68,553, respectively; 83.45 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,145,173)
Net adjustment for revenue accruals	(79,686)
Net adjustment for expenditure accruals	(22,468)
Net adjustment for other sources/uses	50,139
Funds budgeted elsewhere	(505,878)
Adjustment for encumbrances	<u>459,233</u>
GAAP basis	<u>\$ (1,243,833)</u>

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

NOTE 16 - CONTINGENCIES

A. Litigation

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

B. Grants

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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2012	\$ -
Current year set-aside requirement	285,922
Current year offsets	(260,857)
Prior year offset from bond proceeds	<u>(25,065)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<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 \$27,983,846 at June 30, 2013.

NOTE 18 - OTHER COMMITMENTS

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

	<u>Year End Encumbrances</u>
<u>Fund</u>	
General	\$ 416,333
Classroom facilities	3,704,616
Nonmajor governmental funds	<u>113,405</u>
Total	<u>\$ 4,234,354</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 19 - CONTRACTUAL COMMITMENTS

As a result of the construction project that was in progress at June 30, 2013, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Building Department	\$ 20,000	\$ (5,862)	\$ 14,138
FMD Architects, Inc.	1,240,353	(463,852)	776,501
Panzica Construction	2,824,272	-	2,824,272
Stan and Associates, Inc.	37,947	(3,926)	34,021
Village of Lagrange	<u>5,000</u>	<u>(900)</u>	<u>4,100</u>
Total Contractual Commitments	<u>\$ 4,127,572</u>	<u>\$ (474,540)</u>	<u>\$ 3,653,032</u>

COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

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

MAJOR FUNDS

General Fund

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

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

Building Fund

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

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, 2013

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Building			
Total Revenues and Other Sources	\$ 8,675	\$ 8,575	\$ (100)
Total Expenditures and Other Uses	<u>5,410,850</u>	<u>5,410,849</u>	<u>1</u>
Net Change in Fund Balances	(5,402,175)	(5,402,274)	(99)
Fund Balance, July 1	541,523	541,523	-
Prior Year Encumbrances Appropriated	<u>4,860,751</u>	<u>4,860,751</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ (99)</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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Classroom Facilities			
Total Revenues and Other Sources	\$ 6,298,425	\$ 6,296,135	\$ (2,290)
Total Expenditures and Other Uses	<u>4,715,800</u>	<u>4,578,096</u>	<u>137,704</u>
Net Change in Fund Balances	1,582,625	1,718,039	135,414
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,582,625</u>	<u>\$ 1,718,039</u>	<u>\$ 135,414</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 which provide services and materials to pupils attending non-public schools within the District.

Educational Management Information System (EMIS) Fund

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

Data Communication Fund

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

Education Jobs Fund

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

Race to the Top Fund

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

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

Nonmajor Special Revenue Funds (Continued)

Title VI-B Fund

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

Title I Fund

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

Title II-A Fund

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

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

Uniform School Supplies Fund

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

Public School Support Fund

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

KeyCare Fund

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

Employee Benefits Fund

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

Termination Benefits Fund

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

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

Nonmajor Debt Service Fund

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the government is obligated in some manner for payment. The nonmajor debt service fund is:

Debt Service 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.

Since there is only one nonmajor debt service fund, the budgetary schedule is the only additional financial statement information presented in this section.

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 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, 2013

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Fund</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 517,614	\$ 1,033,106	\$ 846,335	\$ 2,397,055
Cash with fiscal agents	-	14,541	-	14,541
Investment with fiscal agent	-	483,563	-	483,563
Receivables:				
Taxes	132,131	1,184,521	111,955	1,428,607
Intergovernmental	40,651	-	-	40,651
Accrued interest	-	2,707	-	2,707
Materials and supplies inventory	13,606	-	-	13,606
Total assets.	<u>\$ 704,002</u>	<u>\$ 2,718,438</u>	<u>\$ 958,290</u>	<u>\$ 4,380,730</u>
Liabilities:				
Accounts payable	\$ 45,517	\$ -	\$ 13,545	\$ 59,062
Contracts payable.	-	-	31,729	31,729
Retainage payable.	-	-	198,384	198,384
Accrued wages and benefits.	46,343	-	-	46,343
Pension obligation payable	18,281	-	-	18,281
Intergovernmental payable	2,299	-	-	2,299
Matured bond and interest payable	-	5,000	-	5,000
Total liabilities.	<u>112,440</u>	<u>5,000</u>	<u>243,658</u>	<u>361,098</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	132,131	955,370	64,347	1,151,848
Delinquent property tax revenue not available	-	112,130	25,046	137,176
Accrued interest not available.	-	1,105	-	1,105
Other nonexchange transactions not available	3,129	-	-	3,129
Total deferred inflows of resources	<u>135,260</u>	<u>1,068,605</u>	<u>89,393</u>	<u>1,293,258</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	13,606	-	-	13,606
Restricted:				
Debt service	-	1,644,833	-	1,644,833
Capital improvements	-	-	499,812	499,812
Classroom facilities maintenance	132,131	-	-	132,131
Food service operations	264,407	-	-	264,407
Non-public schools	2,425	-	-	2,425
Special education	14,763	-	-	14,763
Targeted academic assistance	13,917	-	-	13,917
Other purposes.	15,467	-	-	15,467
Committed:				
Capital improvements	-	-	125,427	125,427
Unassigned (deficit).	(414)	-	-	(414)
Total fund balances	<u>456,302</u>	<u>1,644,833</u>	<u>625,239</u>	<u>2,726,374</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 704,002</u>	<u>\$ 2,718,438</u>	<u>\$ 958,290</u>	<u>\$ 4,380,730</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 132,131	\$ 1,159,247	\$ 87,599	\$ 1,378,977
Charges for services	304,011	-	-	304,011
Earnings on investments	675	9,384	-	10,059
Decrease in fair value of investments	-	(26,851)	-	(26,851)
Extracurricular	75,602	-	-	75,602
Contributions and donations	2,000	-	162,791	164,791
Other local revenues	7,432	-	4,244	11,676
Intergovernmental - intermediate	10,072	-	-	10,072
Intergovernmental - state	85,771	176,278	39,073	301,122
Intergovernmental - federal	870,614	432,887	-	1,303,501
Total revenues	<u>1,488,308</u>	<u>1,750,945</u>	<u>293,707</u>	<u>3,532,960</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,241	-	1,786	13,027
Special	400,904	-	-	400,904
Other	24,424	-	-	24,424
Support services:				
Pupil	107,949	-	-	107,949
Instructional staff	73,965	-	-	73,965
Administration	22,330	-	-	22,330
Fiscal	-	20,397	4,532	24,929
Operations and maintenance	-	-	1,254	1,254
Pupil transportation	149	-	-	149
Central	10,554	-	16,219	26,773
Operation of non-instructional services:				
Food service operations	524,803	-	-	524,803
Other non-instructional services	111,012	-	-	111,012
Extracurricular activities	107,234	-	-	107,234
Facilities acquisition and construction	-	-	489,736	489,736
Debt service:				
Principal retirement	-	205,000	50,000	255,000
Interest and fiscal charges	-	1,193,915	32,609	1,226,524
Bond issuance costs	-	97,895	-	97,895
Total expenditures	<u>1,394,565</u>	<u>1,517,207</u>	<u>596,136</u>	<u>3,507,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,743</u>	<u>233,738</u>	<u>(302,429)</u>	<u>25,052</u>
Other financing sources (uses):				
Sale of refunding bonds	-	4,339,094	-	4,339,094
Premium on refunding bonds	-	408,233	-	408,233
Payment to refunded bond escrow agent	-	(4,649,432)	-	(4,649,432)
Transfers in	28,100	-	-	28,100
Total other financing sources (uses)	<u>28,100</u>	<u>97,895</u>	<u>-</u>	<u>125,995</u>
Net change in fund balances	121,843	331,633	(302,429)	151,047
Fund balances, July 1	<u>334,459</u>	<u>1,313,200</u>	<u>927,668</u>	<u>2,575,327</u>
Fund balances, June 30	<u>\$ 456,302</u>	<u>\$ 1,644,833</u>	<u>\$ 625,239</u>	<u>\$ 2,726,374</u>

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Classroom Facilities Maintenance</u>
Assets:				
Equity in pooled cash and investments.	\$ 299,037	\$ 6,775	\$ 5,269	\$ 132,131
Receivables:				
Taxes	-	-	-	132,131
Intergovernmental	885	-	-	-
Materials and supplies inventory	13,606	-	-	-
Total assets.	<u>\$ 313,528</u>	<u>\$ 6,775</u>	<u>\$ 5,269</u>	<u>\$ 264,262</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 650	\$ -
Accrued wages and benefits.	20,716	-	-	-
Pension obligation payable	14,075	-	-	-
Intergovernmental payable	724	-	-	-
Total liabilities.	<u>35,515</u>	<u>-</u>	<u>650</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	-	-	-	132,131
Other nonexchange transactions not available . .	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,131</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	13,606	-	-	-
Restricted:				
Classroom facilities maintenance	-	-	-	132,131
Food service operations	264,407	-	-	-
Non-public schools	-	-	-	-
Special education	-	-	-	-
Targeted academic assistance	-	-	-	-
Other purposes.	-	6,775	4,619	-
Unassigned (deficit).	-	-	-	-
Total fund balances (deficit).	<u>278,013</u>	<u>6,775</u>	<u>4,619</u>	<u>132,131</u>
Total liabilities, deferred inflows of resources and fund balances (deficit).	<u>\$ 313,528</u>	<u>\$ 6,775</u>	<u>\$ 5,269</u>	<u>\$ 264,262</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>Race to the Top</u>	<u>Title VI-B</u>	<u>Title I</u>
\$ 25	\$ 41,341	\$ 4,124	\$ 18,196	\$ 7,604
-	-	-	-	-
-	29	-	-	32,608
-	-	-	-	-
<u>\$ 25</u>	<u>\$ 41,370</u>	<u>\$ 4,124</u>	<u>\$ 18,196</u>	<u>\$ 40,212</u>
\$ 439	\$ 38,699	\$ -	\$ 2,756	\$ -
-	-	-	-	25,627
-	228	-	-	3,978
-	18	51	677	756
<u>439</u>	<u>38,945</u>	<u>51</u>	<u>3,433</u>	<u>30,361</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,425	-	-	-
-	-	-	14,763	-
-	-	-	-	9,851
-	-	4,073	-	-
<u>(414)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(414)</u>	<u>2,425</u>	<u>4,073</u>	<u>14,763</u>	<u>9,851</u>
<u>\$ 25</u>	<u>\$ 41,370</u>	<u>\$ 4,124</u>	<u>\$ 18,196</u>	<u>\$ 40,212</u>

- (Continued)

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2013

	Title II-A	Total Nonmajor Special Revenue Funds
Assets:		
Equity in pooled cash and investments.	\$ 3,112	\$ 517,614
Receivables:		
Taxes	-	132,131
Intergovernmental	7,129	40,651
Materials and supplies inventory	-	13,606
Total assets.	\$ 10,241	\$ 704,002
Liabilities:		
Accounts payable	\$ 2,973	\$ 45,517
Accrued wages and benefits.	-	46,343
Pension obligation payable	-	18,281
Intergovernmental payable	73	2,299
Total liabilities.	3,046	112,440
Deferred inflows of resources:		
Property taxes levied for the next fiscal year. . .	-	132,131
Other nonexchange transactions not available . .	3,129	3,129
Total deferred inflows of resources	3,129	135,260
Fund balances:		
Nonspendable:		
Materials and supplies inventory.	-	13,606
Restricted:		
Classroom facilities maintenance	-	132,131
Food service operations	-	264,407
Non-public schools	-	2,425
Special education	-	14,763
Targeted academic assistance	4,066	13,917
Other purposes.	-	15,467
Unassigned (deficit).	-	(414)
Total fund balances (deficit).	4,066	456,302
Total liabilities, deferred inflows of resources and fund balances (deficit).	\$ 10,241	\$ 704,002

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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, 2013

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Classroom Facilities Maintenance</u>
Revenues:				
From local sources:				
Taxes	\$ -	\$ -	\$ -	\$ 132,131
Charges for services	304,011	-	-	-
Earnings on investments	587	-	-	-
Extracurricular.	-	-	-	-
Contributions and donations	-	2,000	-	-
Other local revenues	6,598	-	-	-
Intergovernmental - intermediate	-	-	10,072	-
Intergovernmental - state	4,428	-	-	-
Intergovernmental - federal	222,685	-	-	-
Total revenues	<u>538,309</u>	<u>2,000</u>	<u>10,072</u>	<u>132,131</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	500	17,768	-
Special	-	-	-	-
Other	-	-	-	-
Support services:				
Pupil	-	-	9,907	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Pupil transportation	-	-	149	-
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations.	524,803	-	-	-
Other non-instructional services.	-	-	-	-
Extracurricular activities.	-	-	-	-
Total expenditures	<u>524,803</u>	<u>500</u>	<u>27,824</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>13,506</u>	<u>1,500</u>	<u>(17,752)</u>	<u>132,131</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	13,506	1,500	(17,752)	132,131
Fund balances (deficit), July 1	<u>264,507</u>	<u>5,275</u>	<u>22,371</u>	<u>-</u>
Fund balances (deficit), June 30.	<u>\$ 278,013</u>	<u>\$ 6,775</u>	<u>\$ 4,619</u>	<u>\$ 132,131</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>EMIS</u>	<u>Data Communication</u>	<u>Education Jobs</u>	<u>Race to the Top</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	88	-	-	-	-
75,602	-	-	-	-	-
-	-	-	-	-	-
834	-	-	-	-	-
-	-	-	-	-	-
-	75,943	-	5,400	-	-
-	-	-	-	-	29,935
<u>76,436</u>	<u>76,031</u>	<u>-</u>	<u>5,400</u>	<u>-</u>	<u>29,935</u>
-	-	-	-	(7,027)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	27,972
-	-	-	-	-	-
-	-	2,754	7,800	-	-
-	-	-	-	-	-
-	111,012	-	-	-	-
107,234	-	-	-	-	-
<u>107,234</u>	<u>111,012</u>	<u>2,754</u>	<u>7,800</u>	<u>(7,027)</u>	<u>27,972</u>
<u>(30,798)</u>	<u>(34,981)</u>	<u>(2,754)</u>	<u>(2,400)</u>	<u>7,027</u>	<u>1,963</u>
<u>28,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>28,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,698)	(34,981)	(2,754)	(2,400)	7,027	1,963
2,284	37,406	2,754	2,400	(7,027)	2,110
<u>\$ (414)</u>	<u>\$ 2,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,073</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, 2013

	<u>Title VI-B</u>	<u>Title I</u>	<u>Title II-A</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:				
From local sources:				
Taxes	\$ -	\$ -	\$ -	\$ 132,131
Charges for services	-	-	-	304,011
Earnings on investments	-	-	-	675
Extracurricular.	-	-	-	75,602
Contributions and donations	-	-	-	2,000
Other local revenues	-	-	-	7,432
Intergovernmental - intermediate	-	-	-	10,072
Intergovernmental - state	-	-	-	85,771
Intergovernmental - federal	331,780	248,163	38,051	870,614
Total revenues	<u>331,780</u>	<u>248,163</u>	<u>38,051</u>	<u>1,488,308</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	-	-	11,241
Special	209,440	191,464	-	400,904
Other	-	24,424	-	24,424
Support services:				
Pupil	98,042	-	-	107,949
Instructional staff	741	10,807	34,445	73,965
Administration	22,330	-	-	22,330
Pupil transportation	-	-	-	149
Central	-	-	-	10,554
Operation of non-instructional services:				
Food service operations.	-	-	-	524,803
Other non-instructional services.	-	-	-	111,012
Extracurricular activities.	-	-	-	107,234
Total expenditures	<u>330,553</u>	<u>226,695</u>	<u>34,445</u>	<u>1,394,565</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,227</u>	<u>21,468</u>	<u>3,606</u>	<u>93,743</u>
Other financing sources:				
Transfers in.	-	-	-	28,100
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,100</u>
Net change in fund balances	1,227	21,468	3,606	121,843
Fund balances (deficit), July 1	<u>13,536</u>	<u>(11,617)</u>	<u>460</u>	<u>334,459</u>
Fund balances (deficit), June 30.	<u>\$ 14,763</u>	<u>\$ 9,851</u>	<u>\$ 4,066</u>	<u>\$ 456,302</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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Food Services			
Total Revenues and Other Sources	\$ 539,427	\$ 511,903	\$ (27,524)
Total Expenditures and Other Uses	<u>530,973</u>	<u>506,285</u>	<u>24,688</u>
Net Change in Fund Balances	8,454	5,618	(2,836)
Fund Balance, July 1	292,507	292,507	-
Prior Year Encumbrances Appropriated	<u>750</u>	<u>750</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 301,711</u></u>	<u><u>\$ 298,875</u></u>	<u><u>\$ (2,836)</u></u>
School Trusts			
Total Revenues and Other Sources	\$ 2,000	\$ 2,000	\$ -
Total Expenditures and Other Uses	<u>2,000</u>	<u>500</u>	<u>1,500</u>
Net Change in Fund Balances	-	1,500	1,500
Fund Balance, July 1	<u>5,275</u>	<u>5,275</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 5,275</u></u>	<u><u>\$ 6,775</u></u>	<u><u>\$ 1,500</u></u>
Other Local Grants			
Total Revenues and Other Sources	\$ 14,447	\$ 10,072	\$ (4,375)
Total Expenditures and Other Uses	<u>41,865</u>	<u>34,912</u>	<u>6,953</u>
Net Change in Fund Balances	(27,418)	(24,840)	2,578
Fund Balance, July 1	21,218	21,218	-
Prior Year Encumbrances Appropriated	<u>8,891</u>	<u>8,891</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 2,691</u></u>	<u><u>\$ 5,269</u></u>	<u><u>\$ 2,578</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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Classroom Facilities Maintenance			
Total Revenues and Other Sources	\$ 132,131	\$ 132,131	\$ -
Net Change in Fund Balances	132,131	132,131	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ 132,131</u>	<u>\$ 132,131</u>	<u>\$ -</u>
Student Activity			
Total Revenues and Other Sources	\$ 136,977	\$ 110,059	\$ (26,918)
Total Expenditures and Other Uses	<u>121,622</u>	<u>111,447</u>	<u>10,175</u>
Net Change in Fund Balances	15,355	(1,388)	(16,743)
Fund Balance (Deficit), July 1	(732)	(732)	-
Prior Year Encumbrances Appropriated	<u>1,442</u>	<u>1,442</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 16,065</u>	<u>\$ (678)</u>	<u>\$ (16,743)</u>
Auxiliary Services			
Total Revenues and Other Sources	\$ 76,023	\$ 76,031	\$ 8
Total Expenditures and Other Uses	<u>116,255</u>	<u>114,182</u>	<u>2,073</u>
Net Change in Fund Balances	(40,232)	(38,151)	2,081
Fund Balance, July 1	<u>40,236</u>	<u>40,236</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4</u>	<u>\$ 2,085</u>	<u>\$ 2,081</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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
EMIS			
Total Expenditures and Other Uses	\$ 2,835	\$ 2,835	\$ -
Net Change in Fund Balances	(2,835)	(2,835)	-
Fund Balance, July 1	805	805	-
Prior Year Encumbrances Appropriated	2,030	2,030	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Data Communication			
Total Revenues and Other Sources	\$ 5,400	\$ 5,400	\$ -
Total Expenditures and Other Uses	7,800	7,800	-
Net Change in Fund Balances	(2,400)	(2,400)	-
Fund Balance, July 1	2,400	2,400	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Education Jobs			
Total Revenues and Other Sources	\$ 48,272	\$ 48,272	\$ -
Total Expenditures and Other Uses	54,098	54,098	-
Net Change in Fund Balances	(5,826)	(5,826)	-
Fund Balance, July 1	5,826	5,826	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Race to the Top			
Total Revenues and Other Sources	\$ 49,100	\$ 29,935	\$ (19,165)
Total Expenditures and Other Uses	<u>55,479</u>	<u>32,669</u>	<u>22,810</u>
Net Change in Fund Balances	(6,379)	(2,734)	3,645
Fund Balance (Deficit), July 1	(1,556)	(1,556)	-
Prior Year Encumbrances Appropriated	<u>8,414</u>	<u>8,414</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 479</u>	<u>\$ 4,124</u>	<u>\$ 3,645</u>
Title VI-B			
Total Revenues and Other Sources	\$ 364,312	\$ 364,312	\$ -
Total Expenditures and Other Uses	<u>364,695</u>	<u>364,696</u>	<u>(1)</u>
Net Change in Fund Balances	(383)	(384)	(1)
Fund Balance (Deficit), July 1	(16,124)	(16,124)	-
Prior Year Encumbrances Appropriated	<u>16,508</u>	<u>16,508</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>
Title I			
Total Revenues and Other Sources	\$ 274,258	\$ 241,555	\$ (32,703)
Total Expenditures and Other Uses	<u>274,187</u>	<u>242,092</u>	<u>32,095</u>
Net Change in Fund Balances	71	(537)	(608)
Fund Balance (Deficit), July 1	(17,202)	(17,202)	-
Prior Year Encumbrances Appropriated	<u>17,227</u>	<u>17,227</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 96</u>	<u>\$ (512)</u>	<u>\$ (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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Title II-A			
Total Revenues and Other Sources	\$ 51,949	\$ 40,260	\$ (11,689)
Total Expenditures and Other Uses	<u>51,953</u>	<u>50,209</u>	<u>1,744</u>
Net Change in Fund Balances	(4)	(9,949)	(9,945)
Fund Balance, July 1	<u>5</u>	<u>5</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u><u>\$ 1</u></u>	<u><u>\$ (9,944)</u></u>	<u><u>\$ (9,945)</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, 2013

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Uniform School Supplies			
Total Revenues and Other Sources	\$ 16,138	\$ 11,605	\$ (4,533)
Total Expenditures and Other Uses	<u>13,856</u>	<u>4,658</u>	<u>9,198</u>
Net Change in Fund Balances	2,282	6,947	4,665
Fund Balance, July 1	<u>17,762</u>	<u>17,762</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 20,044</u></u>	<u><u>\$ 24,709</u></u>	<u><u>\$ 4,665</u></u>
Public School Support			
Total Revenues and Other Sources	\$ 106,743	\$ 95,807	\$ (10,936)
Total Expenditures and Other Uses	<u>110,075</u>	<u>98,736</u>	<u>11,339</u>
Net Change in Fund Balances	(3,332)	(2,929)	403
Fund Balance, July 1	33,792	33,792	-
Prior Year Encumbrances Appropriated	<u>427</u>	<u>427</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 30,887</u></u>	<u><u>\$ 31,290</u></u>	<u><u>\$ 403</u></u>
KeyCare			
Total Revenues and Other Sources	\$ 69,639	\$ 69,584	\$ (55)
Total Expenditures and Other Uses	<u>62,211</u>	<u>61,814</u>	<u>397</u>
Net Change in Fund Balances	7,428	7,770	342
Fund Balance, July 1	43,267	43,267	-
Prior Year Encumbrances Appropriated	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 51,695</u></u>	<u><u>\$ 52,037</u></u>	<u><u>\$ 342</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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Employee Benefits			
Total Revenues and Other Sources	\$ 32,573	\$ 2,573	\$ (30,000)
Total Expenditures and Other Uses	<u>399,298</u>	<u>399,298</u>	<u>-</u>
Net Change in Fund Balances	(366,725)	(396,725)	(30,000)
Fund Balance, July 1	402,928	402,928	-
Prior Year Encumbrances Appropriated	<u>350</u>	<u>350</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 36,553</u></u>	<u><u>\$ 6,553</u></u>	<u><u>\$ (30,000)</u></u>
Termination Benefits			
Total Revenues and Other Sources	\$ 115,000	\$ 115,000	\$ -
Total Expenditures and Other Uses	<u>114,782</u>	<u>114,355</u>	<u>427</u>
Net Change in Fund Balances	218	645	427
Fund Balance, July 1	<u>60</u>	<u>60</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 278</u></u>	<u><u>\$ 705</u></u>	<u><u>\$ 427</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, 2013

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Debt Service			
Total Revenues and Other Sources	\$ 1,373,026	\$ 1,373,026	\$ -
Total Expenditures and Other Uses	<u>1,058,067</u>	<u>990,026</u>	<u>68,041</u>
Net Change in Fund Balances	314,959	383,000	68,041
Fund Balance, July 1	<u>1,155,106</u>	<u>1,155,106</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 1,470,065</u></u>	<u><u>\$ 1,538,106</u></u>	<u><u>\$ 68,041</u></u>

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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013

	Permanent Improvement	Other Capital Projects	Total Nonmajor Capital Projects Funds
Assets:			
Equity in pooled cash and investments.	\$ 720,908	\$ 125,427	\$ 846,335
Receivables:			
Taxes	111,955	-	111,955
Total assets.	\$ 832,863	\$ 125,427	\$ 958,290
Liabilities:			
Accounts payable	\$ 13,545	\$ -	\$ 13,545
Contracts payable.	31,729	-	31,729
Retainage payable.	198,384	-	198,384
Total liabilities.	243,658	-	243,658
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	64,347	-	64,347
Delinquent property tax revenue not available . .	25,046	-	25,046
Total deferred inflows of resources	89,393	-	89,393
Fund balances:			
Restricted:			
Capital improvements	499,812	-	499,812
Committed:			
Capital improvements	-	125,427	125,427
Total fund balances	499,812	125,427	625,239
Total liabilities, deferred inflows of resources and fund balances.	\$ 832,863	\$ 125,427	\$ 958,290

**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, 2013

	Permanent Improvement	Other Capital Projects	Total Nonmajor Capital Projects Funds
Revenues:			
From local sources:			
Taxes	\$ 87,599	\$ -	\$ 87,599
Contributions and donations	15,000	147,791	162,791
Other local revenues	4,244	-	4,244
Intergovernmental - state	39,073	-	39,073
Total revenues.	145,916	147,791	293,707
Expenditures:			
Current:			
Instruction:			
Regular.	1,786	-	1,786
Support services:			
Fiscal	4,532	-	4,532
Operations and maintenance	1,254	-	1,254
Central	16,219	-	16,219
Facilities acquisition and construction	459,980	29,756	489,736
Debt service:			
Principal retirement.	50,000	-	50,000
Interest and fiscal charges	32,609	-	32,609
Total expenditures	566,380	29,756	596,136
Net change in fund balances	(420,464)	118,035	(302,429)
Fund balances, July 1	920,276	7,392	927,668
Fund balances, June 30.	\$ 499,812	\$ 125,427	\$ 625,239

**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, 2013

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Permanent Improvement			
Total Revenues and Other Sources	\$ 149,008	\$ 147,970	\$ (1,038)
Total Expenditures and Other Uses	<u>667,676</u>	<u>630,235</u>	<u>37,441</u>
Net Change in Fund Balances	(518,668)	(482,265)	36,403
Fund Balance, July 1	875,659	875,659	-
Prior Year Encumbrances Appropriated	<u>20,001</u>	<u>20,001</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 376,992</u>	<u>\$ 413,395</u>	<u>\$ 36,403</u>
Other Capital Projects			
Total Revenues and Other Sources	\$ 150,000	\$ 147,791	\$ (2,209)
Total Expenditures and Other Uses	<u>30,200</u>	<u>29,756</u>	<u>444</u>
Net Change in Fund Balances	119,800	118,035	(1,765)
Fund Balance, July 1	<u>7,392</u>	<u>7,392</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 127,192</u>	<u>\$ 125,427</u>	<u>\$ (1,765)</u>

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

Agency Fund

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

Student Activity Fund

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

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Balance July 1, 2012	Additions	Deletions	Ending Balance June 30, 2013
Student Activity				
Assets:				
Equity in pooled cash and investments	\$ 43,842	\$ 61,830	\$ 61,522	\$ 44,150
Total assets.	\$ 43,842	\$ 61,830	\$ 61,522	\$ 44,150
Liabilities:				
Accounts payable.	\$ 3,725	\$ 429	\$ 3,725	\$ 429
Due to students.	40,117	61,401	57,797	43,721
Total liabilities.	\$ 43,842	\$ 61,830	\$ 61,522	\$ 44,150

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.

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Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	96-109
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	110-115
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	116-119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	120-121
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	122-128

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>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 3,218,793	\$ 3,118,131	\$ 3,636,413	\$ 3,748,240
Restricted	23,173,283	2,671,345	2,733,109	2,547,989
Unrestricted	3,066,465	3,883,911	3,734,145	3,731,747
Total governmental activities net position	<u>\$ 29,458,541</u>	<u>\$ 9,673,387</u>	<u>\$ 10,103,667</u>	<u>\$ 10,027,976</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.

2009	2008	2007	2006	2005	2004
\$ 3,597,575	\$ 4,160,612	\$ 3,949,750	\$ 7,120,595	\$ 6,916,902	\$ 5,688,510
2,640,004	2,455,662	2,225,265	3,421,604	1,915,127	2,054,608
4,012,688	4,690,946	3,398,899	5,796	400,908	456,618
<u>\$ 10,250,267</u>	<u>\$ 11,307,220</u>	<u>\$ 9,573,914</u>	<u>\$ 10,547,995</u>	<u>\$ 9,232,937</u>	<u>\$ 8,199,736</u>

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

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

	<u>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>
Expenses				
Governmental activities:				
Instruction:				
Regular	\$ 8,089,685	\$ 7,812,891	\$ 7,886,625	\$ 7,587,064
Special	1,908,297	1,752,181	1,705,354	1,626,780
Vocational	73,140	106,481	102,822	101,087
Other	102,219	100,517	91,730	114,886
Support services:				
Pupil	982,553	1,018,365	1,005,556	886,994
Instructional staff	438,155	507,328	473,860	532,728
Board of education	31,080	51,535	32,725	34,668
Administration	1,328,357	1,170,114	1,216,788	1,238,876
Fiscal	486,395	497,950	448,063	428,194
Operations and maintenance	1,489,655	1,273,567	1,173,432	1,326,992
Pupil transportation	922,047	963,081	887,051	958,546
Central	347,854	478,171	373,804	374,039
Operation of non-instructional services:				
Food service operations	533,896	542,523	504,207	485,656
Latchkey operations	61,874	54,577	49,485	55,778
Other non-instructional services	121,521	62,265	86,977	111,471
Extracurricular activities	456,214	522,179	454,751	463,680
Interest and fiscal charges	1,292,291	1,363,542	1,138,834	753,411
Bond issuance costs	97,895	121,118	225,915	-
Total governmental activities expenses	<u>18,763,128</u>	<u>18,398,385</u>	<u>17,857,979</u>	<u>17,080,850</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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	7,571,878	\$ 7,727,254	\$ 6,588,597	\$ 6,704,413	\$ 6,672,376	\$ 6,660,466
	1,416,017	1,242,249	1,233,663	1,161,680	1,149,365	984,184
	102,875	104,101	97,379	180,125	191,049	187,970
	89,080	75,094	67,102	111,245	-	-
	810,521	858,666	771,574	868,064	1,003,630	1,035,370
	443,050	468,744	478,054	348,743	500,452	404,004
	42,208	40,185	33,019	35,244	38,728	27,473
	1,139,342	1,162,659	1,009,418	1,175,011	1,210,985	1,194,766
	414,440	408,441	362,847	392,992	353,995	357,675
	1,436,266	1,186,268	1,333,631	1,122,995	1,117,247	1,100,974
	901,853	870,189	851,300	986,260	813,566	809,574
	465,653	238,823	219,552	120,958	160,288	158,698
	483,727	439,113	425,493	463,918	442,368	436,982
	59,162	55,825	45,876	51,215	46,376	41,780
	80,774	127,319	83,740	63,469	72,164	-
	368,793	375,208	328,720	324,673	379,314	364,404
	772,798	760,496	793,879	759,783	608,716	-
	-	-	-	-	-	-
	<u>16,598,437</u>	<u>16,140,634</u>	<u>14,723,844</u>	<u>14,870,788</u>	<u>14,760,619</u>	<u>13,764,320</u>

- (Continued)

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

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

Program Revenues	2013	2012 (a)	2011 (a)	2010
Governmental activities:				
Charges for services and sales:				
Instruction:				
Regular	\$ 1,134,614	\$ 932,268	\$ 671,489	\$ 525,405
Special	78,169	72,099	3,072	3,305
Other	-	-	-	-
Support services:				
Pupil	13,264	16,096	8,032	22,915
Instructional staff	233	647	147	274
Operations and maintenance	5,222	7,817	5,826	6,269
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	304,011	342,533	350,391	353,457
Latchkey operations	69,584	66,420	49,896	47,652
Extracurricular activities	75,616	83,892	82,936	68,147
Operating grants and contributions:				
Instruction:				
Regular	8,432	31,040	460,915	46,816
Special	630,854	602,357	821,977	417,214
Vocational	12,863	12,863	12,863	12,767
Other	23,638	19,839	17,130	34,579
Support services:				
Pupil	101,992	133,264	147,577	148,962
Instructional staff	82,318	91,219	144,152	84,735
Administration	22,413	13,695	73,554	80,863
Fiscal	-	4,644	131	5,000
Operations and maintenance	-	-	258,388	254,918
Pupil transportation	62,690	64,427	55,002	101,401
Central	5,400	5,400	142,583	176,263
Operation of non-instructional services:				
Food service operations	234,298	240,032	180,203	154,812
Other non-instructional services	76,031	76,568	73,547	77,864
Extracurricular activities	834	4,053	1,401	6,732
Capital grants and contributions:				
Instruction:				
Regular	148,917	5,625	-	-
Support services:				
Fiscal	2,857	461	-	-
Operations and maintenance	791	2,845	-	-
Pupil transportation	-	8,154	-	-
Central	10,226	307	-	-
Extracurricular activities	-	-	-	5,000
Total governmental program revenues	<u>3,105,267</u>	<u>2,838,565</u>	<u>3,561,212</u>	<u>2,635,350</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (15,657,861)</u>	<u>\$ (15,559,820)</u>	<u>\$ (14,296,767)</u>	<u>\$ (14,445,500)</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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 494,562	\$ 367,690	\$ 513,216	\$ 279,318	\$ 68,955	\$ 64,919
-	-	-	-	-	-
-	12,335	-	-	-	-
30,376	41,347	-	50,427	58,623	51,713
777	-	-	-	-	-
8,238	11,061	-	-	41,144	-
104	-	-	-	-	-
381,544	355,508	345,163	329,548	322,058	316,439
53,391	53,036	56,826	51,053	-	34,625
75,971	89,123	82,298	77,710	81,919	92,733
38,437	3,237	11,000	62,428	148,934	109,217
632,930	636,432	167,819	133,340	205,380	121,069
13,128	13,777	-	-	-	-
-	-	-	-	-	-
123,445	181,590	210,367	226,407	134,043	103,189
64,803	87,972	162,313	230,151	158,223	115,252
65,461	64,566	20,000	-	19,948	10,411
8,952	-	6,010	-	1,048	-
-	9,000	-	-	13,881	14,027
60,045	51,872	50,000	-	32,357	31,393
77	5,948	5,513	9,623	3,370	2,860
138,247	114,059	113,106	127,727	102,019	90,905
96,033	93,533	93,653	93,973	85,042	-
6,070	100	-	-	-	-
16,343	90,872	13,694	-	15,225	-
-	-	-	-	-	-
-	-	3,000	12,000	-	-
12,066	6,559	-	-	-	-
-	-	-	-	-	-
126,930	-	-	-	-	-
<u>2,447,930</u>	<u>2,289,617</u>	<u>1,853,978</u>	<u>1,683,705</u>	<u>1,492,169</u>	<u>1,158,752</u>
<u>\$ (14,150,507)</u>	<u>\$ (13,851,017)</u>	<u>\$ (12,869,866)</u>	<u>\$ (13,187,083)</u>	<u>\$ (13,268,450)</u>	<u>\$ (12,605,568)</u>

- (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>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>
Property taxes levied for:				
General purposes	\$ 5,095,630	\$ 5,596,868	\$ 5,098,704	\$ 4,849,409
Debt service	1,154,297	1,388,241	1,221,080	1,170,484
Capital outlay	90,534	243,854	218,383	205,597
Special revenue	132,131	-	-	-
Grants and entitlements not restricted to specific programs	7,377,981	7,570,683	7,498,166	7,709,810
Grants and entitlements restricted for Ohio School Facilities Commission	21,293,978	-	-	-
Investment earnings	35,057	52,105	48,618	30,565
Decrease in fair value of investments	(35,232)	-	-	-
Miscellaneous	298,639	277,789	287,507	257,344
Total governmental activities	<u>35,443,015</u>	<u>15,129,540</u>	<u>14,372,458</u>	<u>14,223,209</u>
Special Item:				
Loss on sale of capital assets	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position				
Governmental activities	<u>\$ 19,785,154</u>	<u>\$ (430,280)</u>	<u>\$ 75,691</u>	<u>\$ (222,291)</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.

	2009	2008	2007	2006	2005	2004
\$	4,295,550	\$ 5,459,903	\$ 4,954,642	\$ 4,833,720	\$ 5,141,885	\$ 4,306,050
	1,021,138	1,323,539	1,200,168	1,279,435	1,241,464	730,494
	183,446	233,573	217,326	229,046	246,558	214,036
	-	-	-	-	-	-
	7,695,009	7,525,555	7,726,248	7,529,775	7,479,210	7,162,776
	-	-	-	-	-	-
	150,664	295,028	414,223	350,042	72,983	69,031
	-	-	-	-	-	-
	394,083	241,290	35,647	280,123	119,551	68,816
	<u>13,739,890</u>	<u>15,078,888</u>	<u>14,548,254</u>	<u>14,502,141</u>	<u>14,301,651</u>	<u>12,551,203</u>
	(646,336)	-	-	-	-	-
	<u>(646,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>(1,056,953)</u>	<u>\$ 1,227,871</u>	<u>\$ 1,678,388</u>	<u>\$ 1,315,058</u>	<u>\$ 1,033,201</u>	<u>\$ (54,365)</u>

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund:				
Nonspendable	\$ 17,201	\$ 15,660	\$ 14,186	\$ -
Committed	-	123,199	20,000	-
Assigned	787,742	1,583,917	1,656,896	-
Unassigned	2,100,172	2,426,172	2,755,500	-
Reserved	-	-	-	313,189
Unreserved	-	-	-	4,055,093
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general fund	<u>\$ 2,905,115</u>	<u>\$ 4,148,948</u>	<u>\$ 4,446,582</u>	<u>\$ 4,368,282</u>
All Other Governmental Funds:				
Nonspendable	\$ 29,406	\$ 9,110	\$ 11,084	\$ -
Restricted	8,002,317	7,130,006	13,224,957	-
Committed	125,427	7,392	5,000	-
Unassigned (deficit)	(414)	(18,644)	(4,123)	-
Reserved	-	-	-	1,219,642
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	224,532
Capital projects funds	-	-	-	971,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total all other governmental funds	<u>8,156,736</u>	<u>7,127,864</u>	<u>13,236,918</u>	<u>2,415,191</u>
Total governmental funds	<u>\$ 11,061,851</u>	<u>\$ 11,276,812</u>	<u>\$ 17,683,500</u>	<u>\$ 6,783,473</u>

Source: School District financial records.

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
508,715	1,346,813	1,198,693	1,320,915	1,094,117	634,171
<u>4,111,347</u>	<u>2,883,542</u>	<u>1,790,329</u>	<u>1,048,734</u>	<u>1,321,796</u>	<u>1,564,355</u>
<u>\$ 4,620,062</u>	<u>\$ 4,230,355</u>	<u>\$ 2,989,022</u>	<u>\$ 2,369,649</u>	<u>\$ 2,415,913</u>	<u>\$ 2,198,526</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,393,648	1,565,481	1,582,474	3,697,998	11,058,261	20,072,877
335,012	245,496	116,567	124,501	98,407	89,764
<u>862,101</u>	<u>778,960</u>	<u>644,198</u>	<u>(303,100)</u>	<u>1,078,722</u>	<u>(1,684,643)</u>
<u>2,590,761</u>	<u>2,589,937</u>	<u>2,343,239</u>	<u>3,519,399</u>	<u>12,235,390</u>	<u>18,477,998</u>
<u>\$ 7,210,823</u>	<u>\$ 6,820,292</u>	<u>\$ 5,332,261</u>	<u>\$ 5,889,048</u>	<u>\$ 14,651,303</u>	<u>\$ 20,676,524</u>

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues				
From local sources:				
Taxes	\$ 6,439,549	\$ 6,770,183	\$ 6,811,405	\$ 6,273,572
Tuition and fees	1,131,481	930,521	603,722	454,021
Charges for services	304,063	338,593	343,880	341,006
Earnings on investments	37,462	53,694	48,229	28,962
Decrease in fair value of investments	(35,232)	-	-	-
Extracurricular	89,061	98,937	89,324	72,030
Classroom materials and fees	76,865	69,433	62,951	67,492
Rental income	5,222	7,817	5,826	6,269
Contributions and donations	164,791	29,069	3,654	16,820
Contract services	4,437	3,911	7,888	7,197
Other local revenues	375,655	350,349	345,605	336,753
Intergovernmental	-	-	-	-
Intergovernmental - intermediate	10,072	40,007	10,055	5,902
Intergovernmental - state	13,622,903	7,480,036	7,650,851	7,885,218
Intergovernmental - federal	1,315,723	1,697,573	1,890,678	1,361,162
Total revenues	<u>23,542,052</u>	<u>17,870,123</u>	<u>17,874,068</u>	<u>16,856,404</u>
Expenditures				
Current:				
Instruction:				
Regular	7,405,709	7,105,699	7,355,952	7,021,672
Special	1,907,667	1,751,605	1,705,416	1,638,378
Vocational	103,756	105,314	102,179	100,478
Other	102,449	100,517	91,730	116,797
Support services:				
Pupil	1,017,645	1,009,267	1,001,149	882,916
Instructional staff	435,122	503,978	470,510	529,378
Board of education	31,246	51,535	32,725	34,668
Administration	1,337,377	1,159,162	1,201,544	1,246,756
Fiscal	480,505	497,353	455,803	417,531
Operations and maintenance	1,169,841	1,209,641	1,112,437	1,217,001
Pupil transportation	854,319	961,052	842,862	1,034,244
Central	337,655	471,051	377,054	384,903
Operation of non-instructional services:				
Food service operations	524,803	541,275	493,375	481,473
Latchkey operations	61,874	54,577	49,485	55,778
Other non-instructional services	121,604	62,265	86,977	111,471
Extracurricular activities	382,930	448,895	381,467	396,081
Facilities acquisition and construction	5,910,747	6,503,643	786,805	147,450
Capital outlay	-	-	372,368	-
Debt service:				
Principal retirement	325,825	258,397	883,287	734,000
Interest and fiscal charges	1,245,939	1,481,585	1,044,231	734,586
Bond issuance costs	97,895	121,118	225,915	-
Total expenditures	<u>23,854,908</u>	<u>24,397,929</u>	<u>19,073,271</u>	<u>17,285,561</u>
Excess (deficiency) of revenues over (under) expenditures	(312,856)	(6,527,806)	(1,199,203)	(429,157)

Source: School District financial records.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	5,403,970	\$ 6,883,813	\$ 6,295,184	\$ 6,339,828	\$ 6,621,876	\$ 5,238,181
	419,581	355,958	377,456	330,371	109,599	98,444
	366,484	355,508	334,798	309,497	316,175	316,439
	151,933	298,446	344,099	324,107	434,021	237,101
	-	-	-	-	-	-
	77,507	77,007	87,732	97,513	105,249	105,512
	74,981	77,103	-	-	-	-
	6,613	11,061	-	-	-	-
	38,395	32,543	-	-	-	-
	-	-	-	-	-	-
	610,810	292,410	233,164	165,753	150,652	101,322
	-	-	8,582,723	8,424,561	8,398,680	7,761,099
	7,420	7,049	-	-	-	-
	8,244,818	8,093,186	-	-	-	-
	694,053	728,894	-	-	-	-
	<u>16,096,565</u>	<u>17,212,978</u>	<u>16,255,156</u>	<u>15,991,630</u>	<u>16,136,252</u>	<u>13,858,098</u>
	6,935,336	6,733,121	6,784,944	6,782,001	6,679,794	6,507,446
	1,416,148	1,181,419	1,262,793	1,168,387	1,127,148	983,149
	102,032	97,689	99,547	180,861	189,986	184,712
	89,025	71,238	70,893	113,592	-	-
	805,837	824,645	804,530	932,756	995,821	1,031,548
	439,700	450,490	501,623	360,100	418,128	401,779
	42,208	39,158	33,019	35,244	38,728	27,473
	1,134,662	1,121,363	996,544	1,208,170	1,221,624	1,202,925
	413,401	391,455	380,471	413,774	349,545	357,144
	1,307,832	1,167,067	1,370,859	1,144,122	1,104,670	1,043,890
	933,691	838,352	842,977	957,829	764,552	743,655
	462,887	242,335	217,950	124,855	160,113	157,177
	480,562	451,830	428,268	471,346	445,941	433,690
	59,162	53,322	45,876	52,443	46,496	43,000
	80,774	118,962	83,740	63,469	72,164	-
	363,707	354,924	318,879	326,982	375,711	361,914
	1,721,517	244,543	-	-	-	-
	-	-	1,309,580	9,182,968	7,018,313	1,136,276
	645,000	605,000	510,000	475,000	1,154,418	-
	754,830	738,034	749,450	760,575	-	148,750
	-	-	-	-	-	-
	<u>18,188,311</u>	<u>15,724,947</u>	<u>16,811,943</u>	<u>24,754,474</u>	<u>22,163,152</u>	<u>14,764,528</u>
	(2,091,746)	1,488,031	(556,787)	(8,762,844)	(6,026,900)	(906,430)

- (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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Other Financing Sources (Uses)				
Lease-purchase agreement	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	1,807
Transfers in	28,100	41,800	17,096	25,000
Transfers (out)	(28,100)	(41,800)	(17,096)	(25,000)
Premium on refunding bonds	408,233	935,832	-	-
Sale of refunding bonds	4,339,094	8,554,726	-	-
Payment to refunded bond escrow agent	(4,649,432)	(9,369,440)	-	-
Premium on notes and bonds sold	-	-	226,875	-
Sale of bonds	-	-	11,499,987	-
Capital lease transaction	-	-	372,368	-
Pass-through	-	-	-	-
Total other financing sources (uses)	<u>97,895</u>	<u>121,118</u>	<u>12,099,230</u>	<u>1,807</u>
Special Item				
Sale of capital assets	-	-	-	-
Total special item	-	-	-	-
Net change in fund balances	<u>\$ (214,961)</u>	<u>\$ (6,406,688)</u>	<u>\$ 10,900,027</u>	<u>\$ (427,350)</u>
Capital expenditures	\$ 5,662,247	\$ 6,537,372	\$ 1,163,719	\$ 232,781
Debt service as a percentage of noncapital expenditures	8.64%	9.74%	10.76%	8.61%

Source: School District financial records.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 890,000	\$ -	\$ -	\$ -	\$ -	\$ -
10,030	-	-	589	1,679	-
1,017,061	11,687	-	2,507	17,685,741	30,000
(28,937)	(11,687)	-	(2,507)	(17,685,741)	(30,000)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	8,628
-	-	-	-	-	17,500,000
-	-	-	-	-	-
-	-	-	-	-	(1,100)
<u>1,888,154</u>	<u>-</u>	<u>-</u>	<u>589</u>	<u>1,679</u>	<u>17,507,528</u>
<u>594,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>594,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 390,531</u>	<u>\$ 1,488,031</u>	<u>\$ (556,787)</u>	<u>\$ (8,762,255)</u>	<u>\$ (6,025,221)</u>	<u>\$ 16,601,098</u>
\$ 1,717,822	\$ 370,430	\$ 1,972,910	\$ 9,156,879	\$ 6,817,425	\$ 1,091,413
8.50%	8.75%	8.49%	7.92%	7.52%	1.09%

**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
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
2006	223,290,830	637,973,800	6,102,357	24,409,428	11,594,330	33,126,657
2005	214,193,470	611,981,343	7,207,612	28,830,448	13,694,286	39,126,531
2004	203,806,930	582,305,514	6,956,079	27,824,316	13,216,381	37,761,089

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%.

		Total		
Total Direct Tax Rate	Assessed Value	Estimated Actual Value	%	
\$ 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	783,822,723	34.77%	
50.21	240,987,517	695,509,885	34.65%	
50.21	235,095,368	679,938,322	34.58%	
50.21	223,979,390	647,890,919	34.57%	

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

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

Tax Year/ Collection Year	Lorain County	City of Elyria	Village of Lagrange	Township of Carlisle	Township of Elyria	Township of Lagrange	Township of New Russia
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
2005/2006	13.49	4.78	8.93	7.28	7.78	7.28	5.97
2004/2005	13.19	4.78	8.93	7.28	7.78	7.28	6.40
2003/2004	12.89	3.78	8.93	7.28	7.78	7.28	6.40

Source: Lorain County Auditor's Office.

		Keystone Local School District						
		Voted						
Township of Penfield	Township of Pittsfield	General	Bond	Permanent Improvement	Unvoted	Total		
\$ 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		
11.78	11.10	37.98	5.61	2.00	4.62	50.21		
12.03	11.78	37.98	5.61	2.00	4.62	50.21		
12.03	11.78	37.98	5.61	2.00	4.62	50.21		

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

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2012 AND DECEMBER 31, 2003

December 31, 2012			
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total District Taxable Assessed Value</u>
Columbia Gas Transmission	\$ 5,063,820	1	2.13%
Ohio Edison/First Energy	2,740,640	2	1.16%
Lorain Medina Rural Electric	2,130,670	3	0.89%
Gordon Farms	1,202,740	4	0.50%
Sentinel Square	1,162,490	5	0.49%
Elyria Country Club	1,075,440	6	0.45%
Durham Ridge Investments	1,058,070	7	0.44%
Grey Hawk	1,010,610	8	0.42%
Twin Lakes LTD	959,840	9	0.40%
Varbros LLC	774,630	10	0.32%
Total	<u>\$ 17,178,950</u>		<u>7.20%</u>

December 31, 2003			
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total District Taxable Assessed Value</u>
Columbia Gas Transmission	\$ 4,070,430	1	1.82%
Ohio Edison/First Energy	1,807,870	2	0.81%
Elyria Country Club	1,392,000	3	0.62%
Alltel of Ohio	1,372,530	4	0.61%
Kaltenbach Foods, Inc.	1,016,240	5	0.45%
Lorain Medina Rural Electric	935,110	6	0.42%
Twin Lakes LTD	907,480	7	0.41%
MCI WorldCom	790,620	8	0.35%
Gordon Farms	777,300	9	0.35%
Manufacturers Holding, Inc.	587,320	10	0.26%
Total	<u>\$ 13,656,900</u>		<u>6.10%</u>

Source: Lorain County Auditor's Office.

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Tax Year/ Collection Year	Current Levy	Current Collection	Percent of Current Levy Collected	Delinquent Collection (a)	Total Collection	Total Collection as a Percent of Total Levy
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%
2005/2006	6,872,299	6,795,280	98.88%	285,145	7,080,425	103.03%
2004/2005	6,713,268	6,652,544	99.10%	213,483	6,866,027	102.28%
2003/2004	6,493,065	6,513,315	100.31%	238,832	6,752,147	103.99%

Source: Lorain County Auditor's Office.

Notes:

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

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

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

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

Fiscal Year	Governmental Activities				(a) Total Primary Government	(b) Percentage of Personal Income	(b) Per Capita	(b) Per ADM
	General Obligation Bonds	Lease- Purchase Agreement	Bond Anticipation Notes	Capital Leases				
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
2006	16,740,000	-	-	-	16,740,000	0.92%	210	9,188
2005	17,215,000	-	-	-	17,215,000	0.72%	215	9,516
2004	17,500,000	-	17,500,000	-	35,000,000	1.46%	438	19,084

Sources:

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

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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			(c) Percentage of Actual Taxable Value of Property	(b) Net Bonded Debt Per Capita
	(a) General Obligation Bonds	Debt Service Available Fund Balance	Net Bonded Debt		
2013	\$ 26,236,737	\$ 1,644,833	\$ 24,591,904	3.61%	\$ 310
2012	26,036,550	1,313,200	24,723,350	3.27%	320
2011	25,354,422	964,028	24,390,394	3.22%	315
2010	14,399,488	1,142,605	13,256,883	1.77%	167
2009	15,068,794	1,193,326	13,875,468	1.74%	175
2008	15,694,213	1,402,119	14,292,094	1.82%	180
2007	16,275,491	1,305,862	14,969,629	1.91%	189
2006	16,740,000	1,255,416	15,484,584	2.23%	195
2005	17,215,000	1,077,688	16,137,312	2.37%	202
2004	17,500,000	18,502,977	(1,002,977)	-0.15%	(13)

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, 2013

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 27,142,596	100.00%	\$ 27,142,596
Overlapping debt:			
Lorain County	23,790,000	3.87%	920,673
City of Elyria	30,490,000	0.18%	54,882
Lorain County Joint Vocational School District	3,490,420	4.38%	152,880
Total overlapping debt	<u>57,770,420</u>		<u>1,128,435</u>
 Total direct and overlapping debt	 <u>\$ 84,913,016</u>		 <u>\$ 28,271,031</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 2013 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
2013	\$ 21,466,435	\$ 24,633,807	\$ 1,644,833	\$ 22,988,974	\$ (1,522,539)	107.09%
2012	23,783,649	24,839,713	1,313,200	23,526,513	257,136	98.92%
2011	23,636,620	24,984,987	964,028	24,020,959	(384,339)	101.63%
2010	23,447,471	14,290,000	1,142,605	13,147,395	10,300,076	56.07%
2009	24,811,556	14,980,000	1,193,326	13,786,674	11,024,882	55.57%
2008	24,379,249	15,625,000	1,402,119	14,222,881	10,156,368	58.34%
2007	24,527,138	16,230,000	1,305,862	14,924,138	9,603,000	60.85%
2006	21,688,877	16,740,000	1,255,416	15,484,584	6,204,293	71.39%
2005	21,158,583	17,215,000	1,077,688	16,137,312	5,021,271	76.27%
2004	20,158,145	17,500,000	18,502,977	(1,002,977)	21,161,122	-4.98%

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>
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%
2006	79,565	22.85	1,818,060	1,822	5.5%	5.9%	5.1%
2005	80,061	29.95	2,397,827	1,809	5.8%	6.2%	5.5%
2004	79,887	29.95	2,392,616	1,834	6.7%	5.7%	5.1%

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
CURRENT YEAR AND FOUR YEARS AGO

December 31, 2012

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Keystone Local School District	208	1
Keystone Pointe	175	2
Micron Manufacturing	60	3
Rural Lorain County Water Authority	60	4
West Roofing	60	5
Grey Hawk	50	6
Kaltenbach Foods, Inc.	38	7
Spacebound	37	8
Madar Machine	32	9
Panel Master LLC	30	10
Total	<u>750</u>	

December 31, 2008

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

Source: Individual employers.

Note: Information was unavailable at December 31, 2003.

Information related to total employment within the District was unavailable at both December 31, 2012 and December 31, 2008. Therefore, the above totals by employer could not be expressed as a percentage of total employment.

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

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

Type	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Office - administrative	11.20	10.25	12.02	11.86	12.02	11.99	12.05	15.25	15.59	13.58
Professional - educational	101.30	103.85	102.31	107.19	98.51	98.18	96.31	106.53	107.37	117.81
Professional - other	20.05	21.64	13.67	15.52	15.55	12.97	16.26	18.06	16.31	16.84
Technical	1.00	1.00	1.00	1.00	1.00	-	-	-	-	-
Office - clerical	10.74	12.65	13.35	13.35	13.36	13.24	13.14	15.06	15.54	15.87
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	37.64	39.50	34.72	35.65	35.35	32.46	33.22	33.82	42.26	48.49
Total	182.93	189.89	178.07	185.57	176.79	169.84	171.98	189.72	198.07	213.59

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction:										
Regular	75.00	79.50	77.31	81.89	79.31	83.10	81.31	90.95	91.81	92.81
Special	17.49	14.54	14.00	14.30	12.20	11.58	11.50	12.50	11.50	11.50
Vocational	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.13	2.00
Other	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.72	2.00	6.00
Support services:										
Pupil	8.31	11.31	7.00	7.00	6.00	18.47	21.76	23.56	23.19	24.34
Instructional staff	17.55	19.14	17.53	19.38	19.55	4.00	4.00	4.72	4.62	4.57
Administration	20.94	21.90	19.65	19.49	16.53	13.24	13.14	14.34	13.97	18.30
Fiscal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations and maintenance	12.13	12.13	12.00	12.60	12.00	11.00	12.00	11.00	12.89	17.52
Pupil transportation	13.75	13.51	13.36	13.69	13.91	13.66	13.95	14.20	14.24	14.83
Central	1.00	1.00	1.00	1.00	1.00	0.17	0.17	0.17	3.00	2.00
Operation of non-instructional services:										
Food service operations	8.70	9.21	8.76	8.76	8.69	8.17	7.83	7.89	11.72	11.36
Other non-instructional	4.06	3.65	3.46	3.46	3.60	2.45	2.32	3.67	6.00	7.36
Total	182.93	189.89	178.07	185.57	176.79	169.84	171.98	189.72	198.07	213.59

Source: District records.

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

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction:										
Regular and special										
Enrollment (students)	1,666	1,697	1,685	1,703	1,750	1,780	1,836	1,874	1,912	1,905
Graduates	127	137	132	138	142	142	127	136	132	131
Support services:										
Board of education										
Regular meetings per year	23	22	19	22	23	22	22	24	22	19
Special meetings per year	-	4	6	6	2	2	-	3	1	5
Fiscal										
Nonpayroll checks issued	2,689	2,622	2,513	2,563	2,961	2,749	2,807	3,019	3,065	3,016
Operations and maintenance										
Square footage maintained	311,518	252,370	249,370	249,370	249,370	249,370	249,370	197,170	197,170	197,170
Pupil transportation										
Average students transported daily (a)	678	674	642	647	701	716	861	1,370	1,563	1,561
Food service operations										
Meals served to students	120,147	122,412	109,288	109,391	93,460	90,949	93,685	112,199	107,175	103,776
Number of students with free or reduced lunches	491	472	463	379	391	542	335	397	269	244

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
Construction in progress	891,987	6,988,082	695,396	-
Land improvements	2,477,758	2,645,679	2,704,100	2,856,413
Buildings and improvements	24,776,211	13,792,480	14,292,785	14,803,729
Furniture and equipment	576,162	520,826	634,566	326,363
Vehicles	270,613	339,719	331,000	375,919
Total governmental activities capital assets, net	<u>\$ 29,514,547</u>	<u>\$ 24,808,602</u>	<u>\$ 19,179,663</u>	<u>\$ 18,884,240</u>

Source: School District financial records.

2009	2008	2007	2006	2005	2004
\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
1,364,921	-	-	16,744,797	7,672,018	881,477
1,632,370	1,682,140	1,760,200	234,994	241,420	244,908
15,358,091	16,987,163	17,441,843	3,359,812	3,405,751	3,441,144
305,854	335,266	268,566	175,455	186,627	183,305
284,523	259,227	232,816	347,426	360,479	415,860
<u>\$ 19,467,575</u>	<u>\$ 19,785,612</u>	<u>\$ 20,225,241</u>	<u>\$ 21,384,300</u>	<u>\$ 12,388,111</u>	<u>\$ 5,688,510</u>

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

**SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	574	579	578	588
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	(b)	547	559	544
Keystone Middle School (2013)				
Square feet	59,148	(b)	(b)	(b)
Capacity (students)	370	(b)	(b)	(b)
Enrollment	400	(b)	(b)	(b)
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	692	571	548	571
Total enrollment by year	1,666	1,697	1,685	1,703

Source: District records.

Notes: Year of original construction is in parentheses.

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

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

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

2009	2008	2007	2006	2005	2004
106,884	106,884	106,884	106,884	(a)	(a)
625	625	625	625	(a)	(a)
599	609	623	615	596	623
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
540	552	582	597	622	593
(b)	(b)	(b)	(b)	(b)	(b)
(b)	(b)	(b)	(b)	(b)	(b)
(b)	(b)	(b)	(b)	(b)	(b)
57,096	57,096	57,096	57,096	57,096	57,096
381	381	381	381	381	381
589	585	596	610	591	618
1,728	1,746	1,801	1,822	1,809	1,834

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

OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	General Government		Governmental Activities			Enrollment (b)	Percent Change	Teaching Staff	Pupil/Teacher Ratio
	Expenditures (a)	Cost Per Pupil	Expenses (a)	Cost Per Pupil					
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	
2006	23,518,899	12,908	14,111,005	7,745	1,822	0.72%	106	17.19	
2005	21,008,734	11,613	14,151,903	7,823	1,809	-1.36%	123	14.71	
2004	14,615,778	7,969	13,764,320	7,505	1,834	-0.81%	123	14.91	

Source: School District financial records.

Notes:

- (a) Debt Service totals have been excluded.
- (b) Enrollment figures are taken from District records.



Julian & Grube, Inc.
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Independent Accountants' Report on Applying Agreed-Upon Procedure

Keystone Local School District
Lorain County
301 Liberty Street
LaGrange, Ohio 44050

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 4, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

Julian & Grube, Inc.
December 23, 2013

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Dave Yost • Auditor of State

KEYSTONE LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2014**