

Keystone Local School District

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2014*



Board of Education
Keystone Local School District
LaGrange, Ohio

Jay G. Arbaugh
Superintendent



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, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 9, 2015

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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, 2014

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KEYSTONE LOCAL SCHOOL DISTRICT

December 26, 2014

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, 2014 is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association (GFOA).

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

The basic financial statements of the District for the fiscal year ended June 30, 2014, were audited by Julian & Grube, Inc. whose opinion thereon is included at the beginning of the Financial Section of this report.

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

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

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

Profile of the Keystone Local School District

The District and its Facilities

The District is located in Lorain County, Ohio southwest of Cleveland. Encompassing 65 square miles, the District is made up of residents from communities within the townships of LaGrange, Penfield, Carlisle, New Russia, Pittsfield and Elyria, as well as the Village of LaGrange and the City of Elyria. The District is located primarily in residential and agricultural communities. The District's facilities are comprised of Keystone Elementary School built in 1891, Keystone Middle School built in 2013, and Keystone High School built in 2006. Both Keystone Middle School and Keystone High School were constructed under the Ohio School Facilities Expedited Local Partnership Program (ELPP). The District is currently constructing a new elementary school with the help of funds awarded by the Ohio Facilities Construction Commission (OFCC). This \$18,000,000 construction project is scheduled for completion in the fall of 2015. With the completion of the middle school, the District's share of the OFCC Master Plan was fulfilled, allowing the construction of the new elementary school to be completely financed by the State through the Classroom Facilities Assistance Program (CFAP). The District will achieve its vision of offering students a completely new academic campus before the end of next year.

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 overall ratings such as "Excellent" or "Excellent with Distinction". In place of these overall ratings, schools now receive letter grades in nine different areas of evaluation. The letter grades, A-F, are similar to those received by students for their individual classes. The areas of evaluation include Overall Achievement, Gap Closing, Value Added, and Four-to-Five-Year Graduation Rate. When looking at the District's report card, strengths are found in the areas of Overall Achievement, an area in which the District met 87.5% of the tested indicators and received a B grade, and Value Added, an area in which the District received an A grade for both its entire student body and its special education population. 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, over 49% 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 92% of its students in four to five years, which is approximately 12% higher than the State average.

Economic Condition

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

Long-Term Financial Planning

The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected State and local revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems. The District's current five-year forecast reflects the District-established cash reserve threshold of \$2,500,000 being reached during fiscal year 2014. This cash reserve threshold was created in response to the District's expenditures overtaking revenues beginning in fiscal year 2012. Without additional revenues, the District's cash reserve is projected to be depleted by fiscal year 2017.

Long-term projections show total revenue will continue to decline without the passage of additional operating funds. Local tax valuations have declined due to a drop in home sale prices, thereby causing local property tax receipts to decline. Long-term projections for State funding are unpredictable due to a new State budget being adopted every two years (the State funding formula has changed in each of the last three State budgets). Even though District enrollment has declined in recent years, projected District enrollment over the next five years is expected to remain consistent due to the admission of students through open enrollment.

Major Initiatives

The District continues to explore grant opportunities to carry on its upward trend in academic performance without sacrificing financial stability. The District has taken a leading role in utilizing grant funds to finance its Gateway to Technology program at Keystone Middle School. The District is also one of many school districts in the State receiving Race to the Top funding. In addition, the District has a committed group of parents and community members that are dedicated to advancing the aforementioned levy campaign efforts. The District's various initiatives indicate the District's commitment to proactively seek solutions to avoid financial pitfalls in the future.

Internal Accounting and Budgetary Control

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

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

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

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

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

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

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

Financial Reporting

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

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

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

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

The Reporting Entity

The District has reviewed its reporting entity definition in order to ensure conformance with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the District (the primary government) and its potential component units. Based upon the application of these criteria, the District has no component units and is not itself a component unit. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

Awards

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Keystone Local School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. 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, 2014**

Board of Education

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

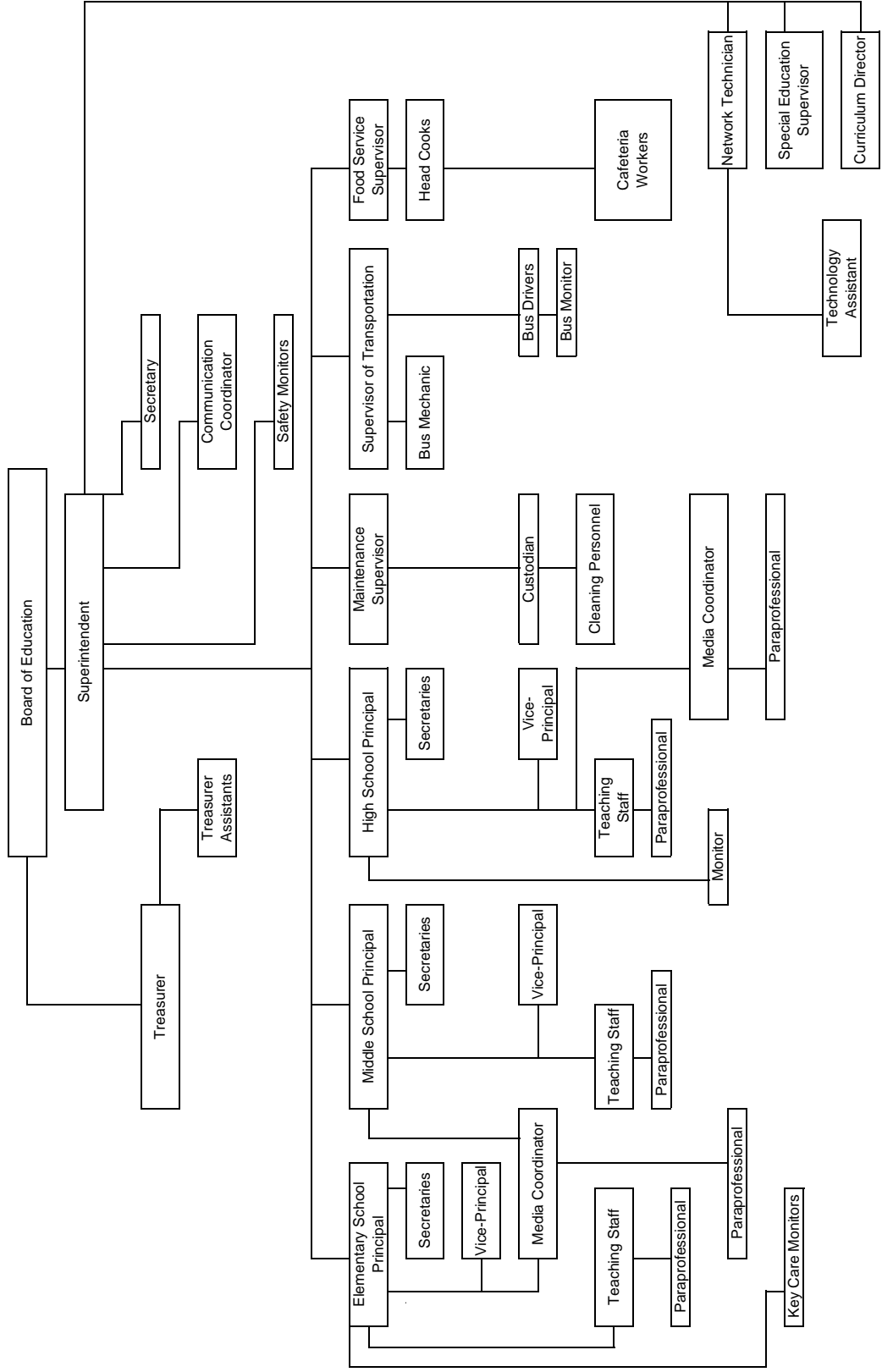
Administration

Jay Arbaugh	Superintendent
David Kish	Director of Curriculum & Instruction
Taya Neuman	Supervisor of Special Education
Franco Gallo	High School Principal
James Kohler	High School Vice-Principal
Timothy Jenkins	Middle School Principal
Toni Filut	Middle School Vice-Principal
Maura Neville	Elementary School Principal
Jacob Alferio	Elementary School Vice-Principal
Michael Smith	Maintenance Supervisor
Jody White	Supervisor of Food Services
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, 2013

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 Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise 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 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 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 Keystone Local School District, Lorain County, Ohio, as of June 30, 2014, 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 Keystone Local School District's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2014, on our consideration of 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 Keystone Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 26, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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 2014 are as follows:

- During fiscal year 2014, net position of governmental activities decreased \$2,336,634 from \$29,458,541 to \$27,121,907. This represents a 7.93% decrease from fiscal year 2013.
- General revenues accounted for \$13,997,788 in revenue or 80.01% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,498,221 in revenue or 19.99% of total revenues of \$17,496,009.
- The District had \$19,832,643 in expenses related to governmental activities; only \$3,498,221 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,997,788 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$14,266,607 in revenues and \$15,603,966 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance decreased \$1,337,359 from \$2,905,115 to \$1,567,756.
- The classroom facilities fund had \$10,721,518 in revenues and \$5,233,406 in expenditures. The significant amount of revenues is due to State drawdown payments received from the Ohio Facilities Construction Commission (OFCC) during fiscal year 2014. During fiscal year 2014, the classroom facilities fund's fund balance increased \$5,488,112 from \$5,430,362 to \$10,918,474.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 2014?" 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 and the classroom facilities fund. All other governmental funds are considered nonmajor.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals and/or other governments or organizations. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 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, 2014

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position		
	Governmental Activities 2014	Governmental Activities 2013	Percentage Change
	<u>2014</u>	<u>2013</u>	<u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 28,895,419	\$ 34,523,963	(16.30) %
Capital assets, net	<u>33,521,802</u>	<u>29,514,547</u>	13.58 %
Total assets	<u>62,417,221</u>	<u>64,038,510</u>	(2.53) %
<u>Deferred Outflows of Resources</u>	<u>945,457</u>	<u>1,061,764</u>	(10.95) %
<u>Liabilities</u>			
Current liabilities	3,190,929	2,084,785	53.06 %
Long-term liabilities	<u>27,658,968</u>	<u>27,910,325</u>	(0.90) %
Total liabilities	<u>30,849,897</u>	<u>29,995,110</u>	2.85 %
<u>Deferred Inflows of Resources</u>	<u>5,390,874</u>	<u>5,646,623</u>	(4.53) %
<u>Net Position</u>			
Net investment in capital assets	6,260,303	3,218,793	94.49 %
Restricted	19,303,893	23,173,283	(16.70) %
Unrestricted	<u>1,557,711</u>	<u>3,066,465</u>	(49.20) %
Total net position	<u>\$ 27,121,907</u>	<u>\$ 29,458,541</u>	(7.93) %

During fiscal year 2014, the District incurred expenses related to its agreement with the OFCC, which is intended to produce capital improvements of District facilities, including the construction of a new elementary school. These expenses were capitalized during the current fiscal year, resulting in an increase to the District's capital assets and net investment in capital assets. The OFCC project also resulted in the recognition of contracts payable and retainage payable at June 30, 2014 for work completed prior to fiscal year end that was not paid for by the District until fiscal year 2015. This created an increase to the District's current liabilities.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,121,907.

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

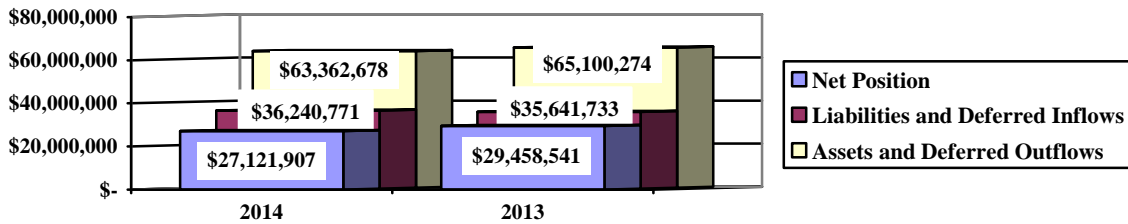
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

At fiscal year end, capital assets represented 53.71% 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, 2014 was \$6,260,303. 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, \$19,303,893, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,557,711 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2014 and June 30, 2013.

Governmental Activities



The table below shows the changes in net position for governmental activities for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>	Percentage <u>Change</u>
Revenues			
Program revenues:			
Charges for services and sales	\$ 1,970,730	\$ 1,680,713	17.26 %
Operating grants and contributions	1,444,774	1,261,763	14.50 %
Capital grants and contributions	82,717	162,791	(49.19) %
General revenues:			
Property taxes	6,387,812	6,472,592	(1.31) %
Grants and entitlements not restricted	7,279,900	7,377,981	(1.33) %
Grants and entitlements restricted	-	21,293,978	(100.00) %
Investment earnings	43,593	35,057	24.35 %
Increase (decrease) in fair value of investments	725	(35,232)	102.06 %
Miscellaneous	<u>285,758</u>	<u>298,639</u>	(4.31) %
Total revenues	<u>17,496,009</u>	<u>38,548,282</u>	(54.61) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>	<u>Percentage Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 8,574,984	\$ 8,089,685	6.00 %
Special	2,211,408	1,908,297	15.88 %
Vocational	55,253	73,140	(24.46) %
Other	93,531	102,219	(8.50) %
Support services:			
Pupil	1,000,941	982,553	1.87 %
Instructional staff	450,809	438,155	2.89 %
Board of education	44,537	31,080	43.30 %
Administration	1,415,995	1,328,357	6.60 %
Fiscal	470,323	486,395	(3.30) %
Operations and maintenance	1,455,702	1,489,655	(2.28) %
Pupil transportation	1,006,710	922,047	9.18 %
Central	345,561	347,854	(0.66) %
Operation of non-instructional services:			
Food service operations	579,067	533,896	8.46 %
Latchkey operations	69,748	61,874	12.73 %
Other non-instructional services	56,790	121,521	(53.27) %
Extracurricular activities	463,359	456,214	1.57 %
Interest and fiscal charges	1,401,336	1,292,291	8.44 %
Bond issuance costs	136,589	97,895	39.53 %
Total expenses	<u>19,832,643</u>	<u>18,763,128</u>	5.70 %
Change in net position	(2,336,634)	19,785,154	(111.81) %
Net position at beginning of year	<u>29,458,541</u>	<u>9,673,387</u>	204.53 %
Net position at end of year	<u>\$ 27,121,907</u>	<u>\$ 29,458,541</u>	(7.93) %

During fiscal year 2014, charges for services and sales increased primarily due to an increase in open enrollment tuition revenue reported by the District. The increase in operating grants and contributions is mainly due to an increase in the amount of special education funding received from the State through foundation payments made during fiscal year 2014. The restricted grants and entitlements revenue reported in fiscal year 2013 is related to the recognition of OFCC grant proceeds intended for capital improvements of District facilities, including the construction of a new elementary school.

During fiscal year 2014, various expense classifications increased primarily due to the recording of the first full year of depreciation expense on the District's middle school building. Interest and fiscal charges and bond issuance costs increased mainly due to an overall increase in debt activity attributable to the District's long-term obligations during fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

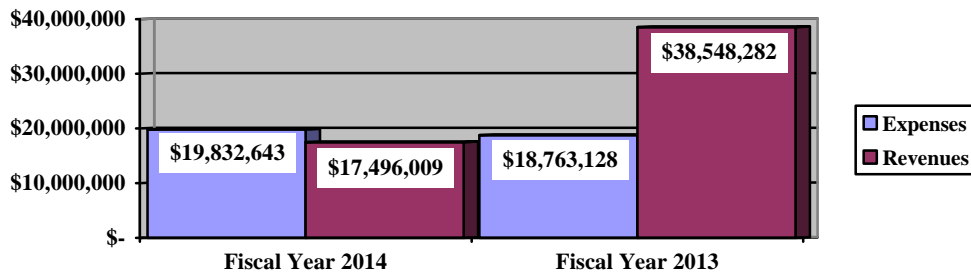
Governmental Activities

Net position of the District's governmental activities decreased \$2,336,634. Total governmental expenses of \$19,832,643 were offset by program revenues of \$3,498,221 and general revenues of \$13,997,788. Program revenues supported 17.64% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 78.12% of total governmental revenues.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,935,176 or 55.14% of total governmental expenses for fiscal year 2014.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2014 and 2013.

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, 2014**

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 2014 and 2013. 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.

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Governmental Activities				
Program expenses				
Instruction:				
Regular	\$ 8,574,984	\$ 7,131,087	\$ 8,089,685	\$ 6,797,722
Special	2,211,408	1,276,141	1,908,297	1,199,274
Vocational	55,253	42,561	73,140	60,277
Other	93,531	84,023	102,219	78,581
Support services:				
Pupil	1,000,941	853,533	982,553	867,297
Instructional staff	450,809	353,956	438,155	355,604
Board of education	44,537	44,537	31,080	31,080
Administration	1,415,995	1,415,995	1,328,357	1,305,944
Fiscal	470,323	468,688	486,395	483,538
Operations and maintenance	1,455,702	1,452,214	1,489,655	1,483,642
Pupil transportation	1,006,710	939,523	922,047	859,357
Central	345,561	338,875	347,854	332,228
Operations of non-instructional services:				
Food service operations	579,067	21,080	533,896	(4,413)
Latchkey operations	69,748	(1,626)	61,874	(7,710)
Other non-instructional services	56,790	(9,387)	121,521	45,490
Extracurricular activities	463,359	385,297	456,214	379,764
Interest and fiscal charges	1,401,336	1,401,336	1,292,291	1,292,291
Bond issuance costs	136,589	136,589	97,895	97,895
Total expenses	<u>\$ 19,832,643</u>	<u>\$ 16,334,422</u>	<u>\$ 18,763,128</u>	<u>\$ 15,657,861</u>

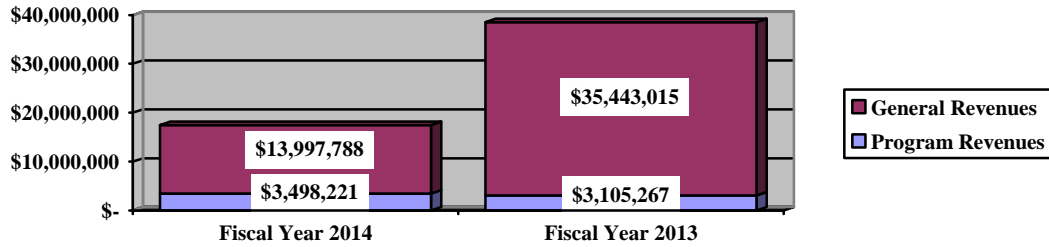
The dependence upon taxes and other general revenues for governmental activities is apparent, as 78.04% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.36%. The District's taxpayers and grants and entitlements 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, 2014

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$15,435,372, which is more than last fiscal year's total balance of \$11,061,851. The table below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>
General	\$ 1,567,756	\$ 2,905,115	\$ (1,337,359)
Classroom facilities	10,918,474	5,430,362	5,488,112
Nonmajor governmental	<u>2,949,142</u>	<u>2,726,374</u>	<u>222,768</u>
Total	<u>\$ 15,435,372</u>	<u>\$ 11,061,851</u>	<u>\$ 4,373,521</u>

General Fund

The District's general fund balance decreased \$1,337,359.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,250,862	\$ 5,060,572	\$ 190,290	3.76 %
Tuition	1,406,341	1,131,481	274,860	24.29 %
Earnings on investments	8,487	19,037	(10,550)	(55.42) %
Decrease in fair value of investments	(2,694)	(6,297)	3,603	57.22 %
Intergovernmental	7,155,945	7,040,578	115,367	1.64 %
Other revenues	<u>447,666</u>	<u>462,064</u>	<u>(14,398)</u>	<u>(3.12) %</u>
Total	<u>\$ 14,266,607</u>	<u>\$ 13,707,435</u>	<u>\$ 559,172</u>	<u>4.08 %</u>
<u>Expenditures</u>				
Instruction	\$ 9,582,050	\$ 9,081,226	\$ 500,824	5.51 %
Support services	5,550,997	5,403,540	147,457	2.73 %
Operation of non-instructional services	77,408	72,466	4,942	6.82 %
Extracurricular activities	261,371	275,696	(14,325)	(5.20) %
Debt service	<u>90,240</u>	<u>90,240</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 15,562,066</u>	<u>\$ 14,923,168</u>	<u>\$ 638,898</u>	<u>4.28 %</u>

Overall revenues of the general fund increased \$559,172 or 4.08% during fiscal year 2014.

Tuition revenue increased \$274,860 or 24.29% primarily due to a substantial increase in open enrollment receipts. The decrease in earnings on investments is related to the declining performance of the District's investment accounts. All other revenue classifications remained comparable to fiscal year 2013 totals.

Overall expenditures of the general fund increased \$638,898 or 4.28% during fiscal year 2014.

Instruction and support services expenditures increased \$500,824 and \$147,457, respectively, which is mainly due to moderate increases in personnel expenditures and the costs associated with the District's purchased services. All other expenditure classifications remained comparable to fiscal year 2013 totals.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Classroom Facilities Fund

The District's classroom facilities fund balance increased \$5,488,112.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Earnings on investments	\$ 14,254	\$ 2,710	\$ 11,544	425.98 %
Intergovernmental	<u>10,707,264</u>	<u>6,293,425</u>	<u>4,413,839</u>	70.13 %
Total	<u>\$ 10,721,518</u>	<u>\$ 6,296,135</u>	<u>\$ 4,425,383</u>	70.29 %
<u>Expenditures</u>				
Facilities acquisition and construction	<u>\$ 5,233,406</u>	<u>\$ 865,773</u>	<u>\$ 4,367,633</u>	504.48 %
Total	<u>\$ 5,233,406</u>	<u>\$ 865,773</u>	<u>\$ 4,367,633</u>	504.48 %

During fiscal year 2014, the District completed its first full year of construction related to its agreement with the OFCC, which is intended to produce capital improvements of District facilities, including the construction of a new elementary school. This increased activity in the classroom facilities fund resulted in increases to both intergovernmental revenue (from State drawdown payments received from the OFCC) and facilities acquisition and construction expenditures (from capitalized costs incurred during the fiscal year).

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 \$14,099,138, which was more than the original budgeted revenues and other financing sources estimate of \$14,090,853. Actual revenues and other financing sources for fiscal year 2014 were \$13,889,167. This represents a \$209,971 decrease from final budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$16,225,674, which was \$1,410,093 more than the original budgeted expenditures of \$14,815,581. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$15,754,080, which was \$471,594 less than the final budgeted amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$33,521,802 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, 2014 balances compared to June 30, 2013.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 521,816	\$ 521,816
Construction in progress	6,126,383	891,987
Land improvements	2,309,837	2,477,758
Buildings and improvements	23,894,921	24,776,211
Furniture and equipment	437,877	576,162
Vehicles	230,968	270,613
Total	\$ 33,521,802	\$ 29,514,547

The overall increase in capital assets of \$4,007,255 is due to capital asset additions of \$5,316,946 exceeding depreciation expense of \$1,309,691 during fiscal year 2014.

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

Debt Administration

At June 30, 2014, the District had \$24,642,044 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also had \$127,156 and \$650,000 in capital lease obligations and lease-purchase agreement obligations outstanding, respectively. Of the total debt obligations outstanding at June 30, 2014, \$462,030 is due within one year and \$24,957,170 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, 2014**

The following table summarizes the bonds, accreted interest, capital lease obligations and lease-purchase agreement obligations outstanding at June 30, 2014 and June 30, 2013.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 23,655,000	\$ 23,795,000
Capital appreciation bonds	758,745	838,807
Accreted interest	228,299	124,075
Capital lease obligation	127,156	203,859
Lease-purchase agreement	<u>650,000</u>	<u>702,000</u>
Total	<u>\$ 25,419,200</u>	<u>\$ 25,663,741</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 questionable. During the current fiscal year, expenses exceeded revenues by \$2,336,634. The long-term financial outlook (fiscal years 2015-2019) 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. In January 2014, the Board of Education adopted the first resolution directing the administration to reduce expenditures in fiscal years 2014 and 2015. A 5.95 mill current expense levy that was placed on the May 2014 ballot failed 41% to 59%. In June 2014, the Board of Education adopted a second resolution authorizing reductions of \$600,000 effective in fiscal year 2015. The District asked voters again in November 2014 to pass additional operating millage, but the levy ultimately failed.

The District obtains approximately 50% of its general fund revenue from the federal and State governments, 37% from local property taxes, and 13% 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 and 2015 includes a new formula to fund school districts (HB59). The current structure of the funding formula places the District on the guarantee in both fiscal years. In fiscal year 2014, the funding formula provided \$4,350,000 to the District, which was \$1,800,000 less than the amount the District received in fiscal year 2013. The District is scheduled to receive \$6,150,000 in funding during fiscal year 2015.

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 an 11% decline in residential real estate values for its reappraisal in calendar year 2012. This has resulted in a loss of revenue to the District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The District continues to see a favorable increase in open enrollment. Even with the increase in open enrollment helping to offset the declines in State and local revenues, the District still needs to seek additional funding sources.

The District has been well supported by its community. In calendar year 2003, the community passed a \$17,500,000 bond issue to build a new high school. In calendar year 2010, the community again supported the District by passing a 2.19 "No New Tax" bond issue to finance the construction of its new middle school. The District has refunded over \$13,000,000 in bonds over the last three calendar years, saving taxpayers an estimated \$3,000,000.

The District has a clear and well defined plan to seek new operating dollars and prosper financially long-term. The District will complete the final phase of its Master Facility Plan in fiscal year 2016. The District has undergone an extensive strategic planning initiative that involved the community in establishing a common vision and direction for the District. A Financial Advisory Committee meets quarterly in an effort to engage business members in the community and seek financial guidance from a community perspective. This will ultimately lead to a proactive interest in the District's funding, the future solvency of the District, and the continued curricular success of District students.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 16,864,651
Cash with fiscal agents	32,096
Investment with fiscal agent	776,982
Receivables:	
Taxes	6,731,861
Accounts.	6,780
Intergovernmental	4,444,925
Accrued interest	6,059
Prepayments	18,207
Materials and supplies inventory.	13,858
Capital assets:	
Land and construction in progress.	6,648,199
Depreciable capital assets, net.	26,873,603
Capital assets, net	<u>33,521,802</u>
Total assets.	<u>62,417,221</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	945,457
Total deferred outflows of resources	<u>945,457</u>
 Liabilities:	
Accounts payable.	42,743
Contracts payable.	1,417,365
Retainage payable	120,677
Accrued wages and benefits	1,204,623
Pension obligation payable.	266,489
Intergovernmental payable	54,557
Accrued interest payable	79,475
Matured bond and interest payable.	5,000
Long-term liabilities:	
Due within one year.	780,770
Due in more than one year.	26,878,198
Total liabilities	<u>30,849,897</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	5,390,874
Total deferred inflows of resources	<u>5,390,874</u>
 Net position:	
Net investment in capital assets	6,260,303
Restricted for:	
Capital projects	17,147,376
Classroom facilities maintenance	170,238
Debt service.	1,634,556
Locally funded programs	3,409
State funded programs.	20,808
Federally funded programs	55,447
Student activities	65
Other purposes	271,994
Unrestricted	1,557,711
Total net position.	<u>\$ 27,121,907</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, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 8,574,984	\$ 1,364,746	\$ 2,000	\$ 77,151	\$ (7,131,087)
Special	2,211,408	122,879	812,388	-	(1,276,141)
Vocational	55,253	-	12,692	-	(42,561)
Other	93,531	-	9,508	-	(84,023)
Support services:					
Pupil	1,000,941	19,725	127,683	-	(853,533)
Instructional staff	450,809	569	96,284	-	(353,956)
Board of education	44,537	-	-	-	(44,537)
Administration	1,415,995	-	-	-	(1,415,995)
Fiscal	470,323	-	1,064	571	(468,688)
Operations and maintenance	1,455,702	3,488	-	-	(1,452,214)
Pupil transportation	1,006,710	-	63,579	3,608	(939,523)
Central	345,561	-	5,400	1,286	(338,875)
Operation of non-instructional services:					
Food service operations	579,067	310,241	247,746	-	(21,080)
Latchkey operations	69,748	71,374	-	-	1,626
Other non-instructional services	56,790	-	66,177	-	9,387
Extracurricular activities	463,359	77,708	253	101	(385,297)
Interest and fiscal charges	1,401,336	-	-	-	(1,401,336)
Bond issuance costs	136,589	-	-	-	(136,589)
Total governmental activities	\$ 19,832,643	\$ 1,970,730	\$ 1,444,774	\$ 82,717	(16,334,422)

General revenues:

Property taxes levied for:	
General purposes	5,060,622
Debt service	1,106,042
Capital outlay	89,017
Special revenue	132,131
Grants and entitlements not restricted to specific programs	
Investment earnings	7,279,900
Increase in fair value of investments	43,593
Miscellaneous	725
	<u>285,758</u>
Total general revenues	13,997,788
Change in net position	(2,336,634)
Net position at beginning of year	29,458,541
Net position at end of year	\$ 27,121,907

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 2,463,722	\$ 12,458,163	\$ 1,942,766	\$ 16,864,651
Cash with fiscal agents	-	-	32,096	32,096
Investment with fiscal agent	-	-	776,982	776,982
Receivables:				
Taxes	5,327,377	-	1,404,484	6,731,861
Accounts	6,780	-	-	6,780
Intergovernmental	111,566	4,293,289	40,070	4,444,925
Accrued interest	2,338	-	3,721	6,059
Prepayments	18,207	-	-	18,207
Materials and supplies inventory	-	-	13,858	13,858
Total assets	<u>\$ 7,929,990</u>	<u>\$ 16,751,452</u>	<u>\$ 4,213,977</u>	<u>\$ 28,895,419</u>
Liabilities:				
Accounts payable	\$ 39,864	\$ 1,265	\$ 1,614	\$ 42,743
Contracts payable	-	1,417,074	291	1,417,365
Retainage payable	-	120,677	-	120,677
Accrued wages and benefits	1,157,153	-	47,470	1,204,623
Compensated absences payable	146,641	-	-	146,641
Retirement incentive payable	123,687	-	-	123,687
Pension obligation payable	250,720	-	15,769	266,489
Intergovernmental payable	51,948	673	1,936	54,557
Matured bond and interest payable	-	-	5,000	5,000
Total liabilities	<u>1,770,013</u>	<u>1,539,689</u>	<u>72,080</u>	<u>3,381,782</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	4,282,320	-	1,108,554	5,390,874
Delinquent property tax revenue not available	288,035	-	80,480	368,515
Accrued interest not available	2,338	-	3,721	6,059
Intergovernmental revenue not available	19,528	4,293,289	-	4,312,817
Total deferred inflows of resources	<u>4,592,221</u>	<u>4,293,289</u>	<u>1,192,755</u>	<u>10,078,265</u>
Fund balances:				
Nonspendable:				
Prepayments	18,207	-	-	18,207
Materials and supplies inventory	-	-	13,858	13,858
Restricted:				
Debt service	-	-	1,871,469	1,871,469
Capital improvements	-	10,918,474	384,231	11,302,705
Classroom facilities maintenance	-	-	170,238	170,238
Food service operations	-	-	261,437	261,437
Non-public schools	-	-	20,808	20,808
Special education	-	-	42,711	42,711
Targeted academic assistance	-	-	12,431	12,431
Extracurricular activities	-	-	65	65
Other purposes	-	-	9,489	9,489
Committed:				
Capital improvements	-	-	162,405	162,405
Student instruction	126,062	-	-	126,062
Student and staff support	38,279	-	-	38,279
Assigned:				
Student instruction	18,941	-	-	18,941
Student and staff support	98,460	-	-	98,460
Extracurricular activities	500	-	-	500
School supplies	17,989	-	-	17,989
Child care programs	45,651	-	-	45,651
Health and wellness	16,531	-	-	16,531
Future appropriations	1,187,136	-	-	1,187,136
Total fund balances	<u>1,567,756</u>	<u>10,918,474</u>	<u>2,949,142</u>	<u>15,435,372</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,929,990</u>	<u>\$ 16,751,452</u>	<u>\$ 4,213,977</u>	<u>\$ 28,895,419</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, 2014

Total governmental fund balances		\$	15,435,372
<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.			33,521,802
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	\$	368,515	
Intergovernmental receivable		4,312,817	
Accrued interest receivable		<u>6,059</u>	
Total			4,687,391
Unamortized premiums on bond issuances are not recognized in the funds.			(1,478,013)
Unamortized deferred amounts on refundings are not recognized in the funds.			945,457
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		(24,642,044)	
Capital lease obligation payable		(127,156)	
Lease-purchase agreement payable		(650,000)	
Compensated absences payable		(491,427)	
Accrued interest payable		<u>(79,475)</u>	
Total			<u>(25,990,102)</u>
Net position of governmental activities		<u>\$</u>	<u>27,121,907</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, 2014

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 5,250,862	\$ -	\$ 1,383,886	\$ 6,634,748
Tuition and fees	1,406,341	-	-	1,406,341
Charges for services	-	-	310,241	310,241
Earnings on investments	8,487	14,254	16,665	39,406
Increase (decrease) in fair value of investments	(2,694)	-	3,419	725
Extracurricular	20,294	-	77,708	98,002
Classroom materials and fees	76,813	-	-	76,813
Rental income	3,488	-	-	3,488
Contributions and donations	1,429	-	84,717	86,146
Contract services	4,471	-	-	4,471
Other local revenues	341,171	-	24,727	365,898
Intergovernmental - intermediate	-	-	5,945	5,945
Intergovernmental - state	7,149,108	10,707,264	279,001	18,135,373
Intergovernmental - federal	6,837	-	1,262,517	1,269,354
Total revenues	<u>14,266,607</u>	<u>10,721,518</u>	<u>3,448,826</u>	<u>28,436,951</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,647,680	-	103,000	7,750,680
Special	1,796,976	-	366,771	2,163,747
Vocational	54,032	-	-	54,032
Other	83,362	-	9,939	93,301
Support services:				
Pupil	854,806	-	119,878	974,684
Instructional staff	336,097	-	97,022	433,119
Board of education	43,390	-	-	43,390
Administration	1,405,049	-	-	1,405,049
Fiscal	435,115	-	21,611	456,726
Operations and maintenance	1,266,707	-	94,024	1,360,731
Pupil transportation	901,320	-	25,000	926,320
Central	308,513	-	14,311	322,824
Operation of non-instructional services:				
Food service operations	-	-	560,705	560,705
Latchkey operations	69,748	-	-	69,748
Other non-instructional services	7,660	-	47,794	55,454
Extracurricular activities	261,371	-	120,082	381,453
Facilities acquisition and construction	-	5,233,406	95,052	5,328,458
Debt service:				
Principal retirement	76,703	-	417,000	493,703
Interest and fiscal charges	13,537	-	1,175,769	1,189,306
Bond issuance costs	-	-	136,589	136,589
Total expenditures	<u>15,562,066</u>	<u>5,233,406</u>	<u>3,404,547</u>	<u>24,200,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,295,459)</u>	<u>5,488,112</u>	<u>44,279</u>	<u>4,236,932</u>
Other financing sources (uses):				
Sale of refunding bonds	-	-	5,804,978	5,804,978
Premium on refunding bonds	-	-	173,237	173,237
Payment to refunded bond escrow agent	-	-	(5,841,626)	(5,841,626)
Transfers in	-	-	41,900	41,900
Transfers (out)	(41,900)	-	-	(41,900)
Total other financing sources (uses)	<u>(41,900)</u>	<u>-</u>	<u>178,489</u>	<u>136,589</u>
Net change in fund balances	(1,337,359)	5,488,112	222,768	4,373,521
Fund balances at beginning of year	2,905,115	5,430,362	2,726,374	11,061,851
Fund balances at end of year	\$ 1,567,756	\$ 10,918,474	\$ 2,949,142	\$ 15,435,372

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, 2014

Net change in fund balances - total governmental funds	\$	4,373,521
<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	\$ 5,316,946	
Current year depreciation	(1,309,691)	
Total		4,007,255
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(246,936)	
Earnings on investments	4,899	
Intergovernmental revenue	(10,704,994)	
Total		(10,947,031)
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	16,008	
Increase in accreted interest on "capital appreciation" bonds	(249,184)	
Amortization of bond premiums	87,620	
Amortization of deferred charges on refundings	(66,474)	
Total		(212,030)
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.		
		(5,804,978)
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	5,805,000	
Deferred charges on refundings	36,626	
Total		5,841,626
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.		
		(173,237)
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.		
		493,703
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.		
		84,537
Change in net position of governmental activities	\$	(2,336,634)

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 5,286,222	\$ 5,151,968	\$ 5,003,608	\$ (148,360)
Tuition and fees	1,185,306	1,450,932	1,439,215	(11,717)
Earnings on investments	16,325	15,979	10,506	(5,473)
Classroom materials and fees	67,918	68,558	66,231	(2,327)
Rental income	5,366	5,644	3,518	(2,126)
Contributions and donations	41	1,870	1,429	(441)
Contract services.	7,759	8,573	1,825	(6,748)
Other local revenues	217,588	232,724	212,343	(20,381)
Intergovernmental - state	7,252,252	7,092,595	7,057,070	(35,525)
Intergovernmental - federal	9,496	9,295	9,856	561
Total revenues	<u>14,048,273</u>	<u>14,038,138</u>	<u>13,805,601</u>	<u>(232,537)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,054,282	7,690,614	7,522,969	167,645
Special.	1,582,897	1,987,999	1,941,531	46,468
Vocational.	104,746	65,303	60,360	4,943
Other.	80,660	82,634	81,695	939
Support services:				
Pupil.	828,133	799,724	795,736	3,988
Instructional staff	386,382	355,068	334,781	20,287
Board of education	45,306	46,660	43,886	2,774
Administration.	1,312,931	1,450,338	1,415,678	34,660
Fiscal	485,614	462,073	444,395	17,678
Operations and maintenance.	1,351,419	1,378,777	1,311,051	67,726
Pupil transportation	928,848	988,938	932,193	56,745
Central.	375,268	382,596	360,336	22,260
Extracurricular activities.	279,095	284,950	265,859	19,091
Total expenditures	<u>14,815,581</u>	<u>15,975,674</u>	<u>15,510,470</u>	<u>465,204</u>
Excess of expenditures over revenues.	<u>(767,308)</u>	<u>(1,937,536)</u>	<u>(1,704,869)</u>	<u>232,667</u>
Other financing sources (uses):				
Refund of prior year expenditures	42,407	53,000	76,574	23,574
Transfers (out).	-	(250,000)	(242,000)	8,000
Advances (out)	-	-	(1,610)	(1,610)
Sale of capital assets	173	8,000	6,992	(1,008)
Total other financing sources (uses)	<u>42,580</u>	<u>(189,000)</u>	<u>(160,044)</u>	<u>28,956</u>
Net change in fund balance	(724,728)	(2,126,536)	(1,864,913)	261,623
Fund balance at beginning of year	3,451,197	3,451,197	3,451,197	-
Prior year encumbrances appropriated	459,233	459,233	459,233	-
Fund balance at end of year	\$ 3,185,702	\$ 1,783,894	\$ 2,045,517	\$ 261,623

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, 2014

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 50,354
Total assets.	<u>\$ 50,354</u>
Liabilities:	
Accounts payable.	\$ 532
Due to students.	<u>49,822</u>
Total liabilities	<u>\$ 50,354</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 112 certified personnel to provide services to approximately 1,699 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 participating 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 fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to the LERC on a per-pupil or actual usage charge. The LERC Assembly consists of a Superintendent or designated representative from each participating school district and the fiscal agent. The LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2014, the District paid \$1,704,119 to the LERC. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio, 44035.

Ohio Schools Council Association (the "Council")

The Ohio Schools Council Association (the "Council") is a jointly governed organization comprised of one hundred and fifty-seven member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven Superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2014, the District paid \$72,299 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Council, at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

INSURANCE PURCHASING POOL

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

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

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

Deferred 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, 2014, but which were levied to finance fiscal year 2015 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, 2014, 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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to federal agency securities, repurchase agreements, negotiable certificates of deposit, 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 2014. 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, 2014.

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 2014 amounted to \$8,487, which includes \$1,854 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 fiscal year end is provided in Note 4.

G. Inventory

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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, 2014.

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 leave and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 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 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 expense/expenditure is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Interfund Activity

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

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

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

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

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

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

R. 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 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agents

At June 30, 2014, the District had \$5,000 held by a fiscal agent in a bond and coupon account related to matured bond and interest, and \$27,096 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, 2014, the District had \$211,165 in federal agency securities and \$565,817 in U.S. Treasury Notes held by a fiscal agent related to the District's sinking fund deposits (See Note 11.C). These amounts are reported as "investment with fiscal agent" on the basic financial statements.

C. Cash on Hand

At June 30, 2014, the District had \$100 in cash on hand. This amount is reported as "equity in pooled cash and investments" on the basic financial statements.

D. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$13,199,798. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,300,213 of the District's bank balance of \$13,285,492 was exposed to custodial risk as discussed below, while \$11,985,279 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of June 30, 2014, 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	\$ 505,878	\$ 505,878	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	1,173,821	-	248,716	248,185	676,920	-
FFCB	249,440	-	-	-	-	249,440
Repurchase agreement	1,735,000	1,735,000	-	-	-	-
STAR Ohio	<u>50,968</u>	<u>50,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,715,107</u>	<u>\$ 2,291,846</u>	<u>\$ 248,716</u>	<u>\$ 248,185</u>	<u>\$ 676,920</u>	<u>\$ 249,440</u>

The weighted average maturity of investments is 0.64 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's negotiable certificates of deposit are not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities (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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Government		
money market funds	\$ 505,878	13.62
Negotiable CD's	1,173,821	31.60
FFCB	249,440	6.71
Repurchase agreement	1,735,000	46.70
STAR Ohio	<u>50,968</u>	<u>1.37</u>
Total	<u>\$ 3,715,107</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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$13,199,798
Investments	3,715,107
Cash on hand	100
Cash with fiscal agents	32,096
Investment with fiscal agent	<u>776,982</u>
Total	<u>\$17,724,083</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$17,673,729
Agency funds	<u>50,354</u>
Total	<u>\$17,724,083</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2014 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>41,900</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

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

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$757,022 in the general fund, \$177,934 in the debt service fund (a nonmajor governmental fund) and \$37,516 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. 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). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 226,640,100	95.02	\$ 227,675,030	95.22
Public utility personal	<u>11,875,840</u>	<u>4.98</u>	<u>11,427,140</u>	<u>4.78</u>
Total	<u>\$ 238,515,940</u>	<u>100.00</u>	<u>\$ 239,102,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.82		\$ 49.87	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 6,731,861
Accounts	6,780
Intergovernmental	4,444,925
Accrued interest	<u>6,059</u>
Total receivables	<u>\$ 11,189,625</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 \$4,293,289 Ohio Facilities Construction Commission (OFCC) receivable, which is expected to be collected over the life of the project.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 521,816	\$ -	\$ -	\$ 521,816
Construction in progress	891,987	5,234,396	-	6,126,383
Total capital assets, not being depreciated	<u>1,413,803</u>	<u>5,234,396</u>	<u>-</u>	<u>6,648,199</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,642,379	-	-	3,642,379
Buildings and improvements	31,682,697	55,003	-	31,737,700
Furniture and equipment	1,140,786	2,547	-	1,143,333
Vehicles	1,267,242	25,000	(44,591)	1,247,651
Total capital assets, being depreciated	<u>37,733,104</u>	<u>82,550</u>	<u>(44,591)</u>	<u>37,771,063</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,164,621)	(167,921)	-	(1,332,542)
Buildings and improvements	(6,906,486)	(936,293)	-	(7,842,779)
Furniture and equipment	(564,624)	(140,832)	-	(705,456)
Vehicles	(996,629)	(64,645)	44,591	(1,016,683)
Total accumulated depreciation	<u>(9,632,360)</u>	<u>(1,309,691)</u>	<u>44,591</u>	<u>(10,897,460)</u>
Governmental activities capital assets, net	<u>\$ 29,514,547</u>	<u>\$ 4,007,255</u>	<u>\$ -</u>	<u>\$ 33,521,802</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 880,136
Special	48,906
Vocational	1,221
Support services:	
Pupil	22,030
Instructional staff	13,140
Board of education	981
Administration	45,761
Fiscal	12,654
Operations and maintenance	78,374
Pupil transportation	82,355
Central	22,785
Operation of non-instructional services:	
Food service operations	18,189
Other non-instructional services	1,253
Extracurricular activities	<u>81,906</u>
Total depreciation expense	<u>\$ 1,309,691</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 \$52,000 during fiscal year 2014.

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, 2014:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 80,698
2016	80,341
2017	80,877
2018	80,306
2019	79,649
2020 - 2024	<u>396,406</u>
Total minimum lease payments	798,277
Less: amount representing interest	<u>(148,277)</u>
Total	<u>\$ 650,000</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014 for this equipment was \$260,658, leaving a current book value of \$111,710. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$76,703 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, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 90,240
2016	<u>45,120</u>
Total minimum lease payments	135,360
Less: amount representing interest	<u>(8,204)</u>
Total	<u>\$ 127,156</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds - series 2004					
Capital appreciation bonds	\$ 275,000	\$ -	\$ (85,040)	\$ 189,960	\$ 189,960
Accreted interest	-	144,960	(144,960)	-	-
General obligation bonds - series 2010					
Current interest bonds	11,100,000	-	(5,805,000)	5,295,000	-
Capital appreciation bonds	399,987	-	-	399,987	-
Accreted interest	88,751	41,462	-	130,213	-
Refunding bonds - series 2012					
Current interest bonds	8,425,000	-	(55,000)	8,370,000	60,000
Capital appreciation bonds	94,726	-	-	94,726	-
Accreted interest	25,457	32,725	-	58,182	-
Refunding bonds - series 2013					
Current interest bonds	4,270,000	-	(80,000)	4,190,000	65,000
Capital appreciation bonds	69,094	-	-	69,094	-
Accreted interest	9,867	30,037	-	39,904	-
Refunding bonds - series 2014					
Current interest bonds	-	5,800,000	-	5,800,000	10,000
Capital appreciation bonds	-	4,978	-	4,978	-
Total general obligation bonds	<u>24,757,882</u>	<u>6,054,162</u>	<u>(6,170,000)</u>	<u>24,642,044</u>	<u>324,960</u>
Lease-purchase agreement	702,000	-	(52,000)	650,000	54,000
Capital lease obligation	203,859	-	(76,703)	127,156	83,070
Retirement incentive	49,205	127,500	(53,018)	123,687	123,687
Compensated absences	<u>718,524</u>	<u>110,948</u>	<u>(191,404)</u>	<u>638,068</u>	<u>195,053</u>
Total governmental activities long-term liabilities	<u>\$ 26,431,470</u>	<u>\$ 6,292,610</u>	<u>\$ (6,543,125)</u>	<u>26,180,955</u>	<u>\$ 780,770</u>
Unamortized bond premiums				<u>1,478,013</u>	
Total on statement of net position				<u>\$ 27,658,968</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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. Following a principal payment on the un-refunded current interest bonds in the amount of \$170,000 during fiscal year 2013, the remaining balance of the series 2004 current interest bonds was refunded in the amount of \$4,340,000. The remaining capital appreciation bonds mature on December 1, 2014 (stated interest rate 5.57%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2013 was \$230,000 and the accreted value at maturity for the capital appreciation bonds maturing December 1, 2014 is \$250,000. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

Series 2010 School Improvement General Obligation Bonds

During fiscal year 2011, the District issued \$11,499,987 in general obligation bonds. The issue was comprised of both current interest bonds, par value \$11,100,000, and capital appreciation bonds, par value \$399,987. The proceeds of these bonds were used for the purpose of improving school facilities. During fiscal year 2014, a portion of the series 2010 general obligation bonds was refunded in the amount of \$5,805,000. The remaining balance of series 2010 current interest bonds matures on December 1, 2028 at an interest rate of 6.75%. The capital appreciation bonds mature on December 1, 2029 (stated interest rate 5.93%), December 1, 2030 (stated interest rate 6.01%), December 1, 2031 (stated interest rate 6.09%), December 1, 2032 (stated interest rate 6.17%), and December 1, 2033 (stated interest rate 6.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,190,000. Total accreted interest of \$130,213 for series 2010 has been included on the statement of net position at June 30, 2014. 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.

Series 2012 Refunding General Obligation Bonds

On June 6, 2012, the District issued general obligation bonds (series 2012 refunding bonds) to advance refund the callable portion of the series 2004 general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$8,460,000, and capital appreciation bonds, par value \$94,726. The interest rates on the current interest bonds range from 2.00%-4.00%. The capital appreciation bonds mature on December 1, 2019 (stated interest rate 25.60%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2019 is \$575,000. Total accreted interest of \$58,182 for series 2012 has been included on the statement of net position at June 30, 2014. 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.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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.

The refunding issue is comprised of both current interest bonds, par value \$4,270,000, and capital appreciation bonds, par value \$69,094. The interest rates on the current interest bonds range from 2.00%-2.50%. The capital appreciation bonds mature on December 1, 2018 (stated interest rate 35.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2018 is \$465,000. Total accreted interest of \$39,904 for series 2013 has been included on the statement of net position at June 30, 2014. 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.

Series 2014 Refunding General Obligation Bonds

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

The refunding issue is comprised of both current interest bonds, par value \$5,800,000, and capital appreciation bonds, par value \$4,978. The interest rates on the current interest bonds range from 2.00%-4.50%. The capital appreciation bonds mature on December 1, 2031 (stated interest rate 22.10%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2031 is \$195,000. 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, 2040.

The net carrying amount of the old debt exceeded the reacquisition price by \$49,833. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2040 by \$1,065,629 and resulted in an economic gain of \$671,205.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 2014, 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, 2014, the District's liability for this retirement incentive plan was \$123,687. 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 tables summarize the District's future annual debt service requirements to maturity for bonds payable:

Fiscal Year	Capital Appreciation - Series 2004					
	Principal	Interest	Total			
2015	\$ 189,960	\$ 60,040	\$ 250,000			
Fiscal Year	Current Interest - Series 2010			Capital Appreciation - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 357,413	\$ 357,413	\$ -	\$ -	\$ -
2016	-	357,412	357,412	-	-	-
2017	-	357,413	357,413	-	-	-
2018	-	357,412	357,412	-	-	-
2019	-	357,413	357,413	-	-	-
2020 - 2024	-	1,787,062	1,787,062	-	-	-
2025 - 2029	5,295,000	1,608,357	6,903,357	-	-	-
2030 - 2034	-	-	-	399,987	1,790,013	2,190,000
Total	\$ 5,295,000	\$ 5,182,482	\$ 10,477,482	\$ 399,987	\$ 1,790,013	\$ 2,190,000

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year	Current Interest - Refunding Series 2012			Capital Appreciation - Refunding Series 2012		
	Principal	Interest	Total	Principal	Interest	Total
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	65,000	268,525	333,525	-	-	-
2020 - 2024	2,810,000	1,129,375	3,939,375	94,726	480,274	575,000
2025 - 2029	5,255,000	419,437	5,674,437	-	-	-
Total	\$ 8,370,000	\$ 2,903,637	\$ 11,273,637	\$ 94,726	\$ 480,274	\$ 575,000

Fiscal Year	Current Interest - Refunding Series 2013			Capital Appreciation - Refunding Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
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	-	73,750	73,750	69,094	395,906	465,000
2020 - 2024	-	368,750	368,750	-	-	-
2025 - 2029	-	368,750	368,750	-	-	-
2030 - 2031	2,950,000	74,625	3,024,625	-	-	-
Total	\$ 4,190,000	\$ 1,242,275	\$ 5,432,275	\$ 69,094	\$ 395,906	\$ 465,000

Fiscal Year	Current Interest - Refunding Series 2014			Capital Appreciation - Refunding Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 10,000	\$ 224,287	\$ 234,287	\$ -	\$ -	\$ -
2016	15,000	224,662	239,662	-	-	-
2017	15,000	224,363	239,363	-	-	-
2018	15,000	224,062	239,062	-	-	-
2019	15,000	223,763	238,763	-	-	-
2020 - 2024	75,000	1,113,619	1,188,619	-	-	-
2025 - 2029	100,000	1,097,375	1,197,375	-	-	-
2030 - 2034	1,680,000	999,305	2,679,305	4,978	190,022	195,000
2035 - 2039	2,850,000	493,713	3,343,713	-	-	-
2040 - 2041	1,025,000	40,700	1,065,700	-	-	-
Total	\$ 5,800,000	\$ 4,865,849	\$ 10,665,849	\$ 4,978	\$ 190,022	\$ 195,000

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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>	Amounts <u>Due</u>	Amounts <u>Deposited</u>
2012	\$ 215,000	\$ 215,000
2013	290,000	290,000
2014	290,000	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>\$ 795,000</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, 2014, are a voted debt margin of \$(1,023,081) (including available funds of \$1,871,469) and an unvoted debt margin of \$239,102. 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 2014, 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 employees working thirty hours or more. Any employee who is scheduled to work between twenty and thirty hours per week is eligible for this coverage, but they are required to pay a higher premium. The premium is generally paid by the fund that pays the salary for the employee.

C. Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - 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".

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - PENSION PLANS - (Continued)

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 2014, 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 14 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, 2014, 2013 and 2012 were \$268,922, \$268,292 and \$267,212, respectively; 82.14 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$938,341, \$924,070 and \$904,448, respectively; 83.83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$26,894 made by the District and \$21,131 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 2014 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".

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$37,625, \$33,408 and \$40,445, respectively; 82.14 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$15,602, \$15,155 and \$15,780, respectively; 82.14 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013 and 2012 were \$72,180, \$71,082 and \$69,573, respectively; 83.83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ (1,864,913)
Net adjustment for revenue accruals	308,602
Net adjustment for expenditure accruals	(122,749)
Net adjustment for other sources/uses	118,144
Funds budgeted elsewhere	(78,443)
Adjustment for encumbrances	<u>302,000</u>
GAAP basis	<u>\$ (1,337,359)</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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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.

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, 2013	\$ -
Current year set-aside requirement	282,145
Current year offsets	(257,265)
Prior year offset from bond proceeds	<u>(24,880)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<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 \$27,958,966 at June 30, 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 18 - CONTRACTUAL COMMITMENTS

As a result of the construction project that was in progress at June 30, 2014, 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>
Bramhall Engineering	\$ 8,200	\$ (7,000)	\$ 1,200
Chagrin Valley Engineering	11,500	(9,968)	1,532
FMD Architects	1,641,253	(1,025,516)	615,737
Panzica	20,710,771	(4,553,559)	16,157,212
Stan and Associates	40,812	(11,876)	28,936
Timmerman	30,000	(15,023)	14,977
Village of LaGrange	<u>78,795</u>	<u>(50,929)</u>	<u>27,866</u>
Total Contractual Commitments	<u>\$ 22,521,331</u>	<u>\$ (5,673,871)</u>	<u>\$ 16,847,460</u>

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 273,821
Classroom facilities fund	13,556,012
Nonmajor governmental funds	<u>108,765</u>
Total	<u>\$ 13,938,598</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 that are not required legally or by sound financial management to be accounted for in another fund. These activities include, but are not limited to, general instruction, pupil services, operation and maintenance of facilities, student transportation, and administration

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

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, 2014

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Classroom Facilities			
Total Revenues and Other Sources	\$ 13,781,646	\$ 10,721,518	\$ (3,060,128)
Total Expenditures and Other Uses	<u>18,907,386</u>	<u>18,882,502</u>	<u>24,884</u>
Net Change in Fund Balances	(5,125,740)	(8,160,984)	(3,035,244)
Fund Balance, July 1	1,718,039	1,718,039	-
Prior Year Encumbrances Appropriated	<u>3,805,407</u>	<u>3,805,407</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 397,706</u>	<u>\$ (2,637,538)</u>	<u>\$ (3,035,244)</u>

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

Nonmajor Special Revenue Funds

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

Food Services Fund

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

School Trusts Fund

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

Other Local Grants Fund

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

Classroom Facilities Maintenance Fund

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

Student Activity Fund

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

Auxiliary Services Fund

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

Data Communication Fund

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

Race to the Top Fund

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

Title VI-B Fund

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

Title I Fund

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

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

Nonmajor Special Revenue Funds (Continued)

Title II-A Fund

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

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

Uniform School Supplies Fund

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

Public School Support Fund

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

KeyCare Fund

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

Employee Benefits Fund

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

Termination Benefits Fund

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

**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, 2014

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 543,898	\$ 889,457	\$ 509,411	\$ 1,942,766
Cash with fiscal agents	-	32,096	-	32,096
Investment with fiscal agent	-	776,982	-	776,982
Receivables:				
Taxes	132,131	1,171,508	100,845	1,404,484
Intergovernmental	40,070	-	-	40,070
Accrued interest	-	3,721	-	3,721
Materials and supplies inventory	13,858	-	-	13,858
Total assets.	\$ 729,957	\$ 2,873,764	\$ 610,256	\$ 4,213,977
Liabilities:				
Accounts payable	\$ 1,614	\$ -	\$ -	\$ 1,614
Contracts payable.	-	-	291	291
Accrued wages and benefits.	47,470	-	-	47,470
Pension obligation payable	15,769	-	-	15,769
Intergovernmental payable	1,936	-	-	1,936
Matured bond and interest payable	-	5,000	-	5,000
Total liabilities.	66,789	5,000	291	72,080
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	132,131	926,434	49,989	1,108,554
Delinquent property tax revenue not available	-	67,140	13,340	80,480
Accrued interest not available.	-	3,721	-	3,721
Total deferred inflows of resources	132,131	997,295	63,329	1,192,755
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	13,858	-	-	13,858
Restricted:				
Debt service	-	1,871,469	-	1,871,469
Capital improvements	-	-	384,231	384,231
Classroom facilities maintenance	170,238	-	-	170,238
Food service operations	261,437	-	-	261,437
Non-public schools	20,808	-	-	20,808
Special education	42,711	-	-	42,711
Targeted academic assistance	12,431	-	-	12,431
Extracurricular activities	65	-	-	65
Other purposes.	9,489	-	-	9,489
Committed:				
Capital improvements	-	-	162,405	162,405
Total fund balances	531,037	1,871,469	546,636	2,949,142
Total liabilities, deferred inflows of resources and fund balances.	\$ 729,957	\$ 2,873,764	\$ 610,256	\$ 4,213,977

**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, 2014

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 132,131	\$ 1,151,032	\$ 100,723	\$ 1,383,886
Charges for services	310,241	-	-	310,241
Earnings on investments	712	15,953	-	16,665
Increase in fair value of investments	-	3,419	-	3,419
Extracurricular.	77,708	-	-	77,708
Contributions and donations	2,000	-	82,717	84,717
Other local revenues	10,195	-	14,532	24,727
Intergovernmental - intermediate	5,945	-	-	5,945
Intergovernmental - state	75,773	163,863	39,365	279,001
Intergovernmental - federal	843,325	419,192	-	1,262,517
Total revenues	<u>1,458,030</u>	<u>1,753,459</u>	<u>237,337</u>	<u>3,448,826</u>
Expenditures:				
Current:				
Instruction:				
Regular.	3,000	-	100,000	103,000
Special	366,771	-	-	366,771
Other	9,939	-	-	9,939
Support services:				
Pupil	119,878	-	-	119,878
Instructional staff	97,022	-	-	97,022
Fiscal	1,280	16,376	3,955	21,611
Operations and maintenance	94,024	-	-	94,024
Pupil transportation	-	-	25,000	25,000
Central	5,400	-	8,911	14,311
Operation of non-instructional services:				
Food service operations.	560,705	-	-	560,705
Other non-instructional services.	47,794	-	-	47,794
Extracurricular activities.	119,382	-	700	120,082
Facilities acquisition and construction	-	-	95,052	95,052
Debt service:				
Principal retirement.	-	365,000	52,000	417,000
Interest and fiscal charges	-	1,145,447	30,322	1,175,769
Bond issuance costs	-	136,589	-	136,589
Total expenditures	<u>1,425,195</u>	<u>1,663,412</u>	<u>315,940</u>	<u>3,404,547</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>32,835</u>	<u>90,047</u>	<u>(78,603)</u>	<u>44,279</u>
Other financing sources (uses):				
Sale of refunding bonds.	-	5,804,978	-	5,804,978
Premium on refunding bonds	-	173,237	-	173,237
Payment to refunded bond escrow agent	-	(5,841,626)	-	(5,841,626)
Transfers in.	41,900	-	-	41,900
Total other financing sources (uses)	<u>41,900</u>	<u>136,589</u>	<u>-</u>	<u>178,489</u>
Net change in fund balances	74,735	226,636	(78,603)	222,768
Fund balances, July 1	<u>456,302</u>	<u>1,644,833</u>	<u>625,239</u>	<u>2,726,374</u>
Fund balances, June 30.	<u>\$ 531,037</u>	<u>\$ 1,871,469</u>	<u>\$ 546,636</u>	<u>\$ 2,949,142</u>

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	<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	\$ 293,062	\$ 5,775	\$ 3,409	\$ 170,238
Receivables:				
Taxes	-	-	-	132,131
Intergovernmental	-	-	-	-
Materials and supplies inventory	13,858	-	-	-
Total assets.	<u>\$ 306,920</u>	<u>\$ 5,775</u>	<u>\$ 3,409</u>	<u>\$ 302,369</u>
Liabilities:				
Accounts payable	\$ 60	\$ -	\$ -	\$ -
Accrued wages and benefits.	19,774	-	-	-
Pension obligation payable	10,926	-	-	-
Intergovernmental payable	865	-	-	-
Total liabilities.	<u>31,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	-	-	-	132,131
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,131</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	13,858	-	-	-
Restricted:				
Classroom facilities maintenance	-	-	-	170,238
Food service operations	261,437	-	-	-
Non-public schools	-	-	-	-
Special education	-	-	-	-
Targeted academic assistance	-	-	-	-
Extracurricular activities	-	-	-	-
Other purposes.	-	5,775	3,409	-
Total fund balances	<u>275,295</u>	<u>5,775</u>	<u>3,409</u>	<u>170,238</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 306,920</u>	<u>\$ 5,775</u>	<u>\$ 3,409</u>	<u>\$ 302,369</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>Race to the Top</u>	<u>Title VI-B</u>	<u>Title I</u>
\$ 65	\$ 21,052	\$ 320	\$ 25,292	\$ 19,139
-	-	-	-	-
-	-	-	24,630	9,638
-	-	-	-	-
<u>\$ 65</u>	<u>\$ 21,052</u>	<u>\$ 320</u>	<u>\$ 49,922</u>	<u>\$ 28,777</u>
\$ -	\$ 14	\$ -	\$ 893	\$ -
-	-	-	5,350	22,346
-	210	-	750	3,743
-	20	15	218	797
<u>-</u>	<u>244</u>	<u>15</u>	<u>7,211</u>	<u>26,886</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	20,808	-	-	-
-	-	-	42,711	-
-	-	-	-	1,891
65	-	-	-	-
-	-	305	-	-
<u>65</u>	<u>20,808</u>	<u>305</u>	<u>42,711</u>	<u>1,891</u>
<u>\$ 65</u>	<u>\$ 21,052</u>	<u>\$ 320</u>	<u>\$ 49,922</u>	<u>\$ 28,777</u>

- (Continued)

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2014

	Title II-A	Total Nonmajor Special Revenue Funds
Assets:		
Equity in pooled cash and investments.	\$ 5,546	\$ 543,898
Receivables:		
Taxes	-	132,131
Intergovernmental	5,802	40,070
Materials and supplies inventory	-	13,858
Total assets.	\$ 11,348	\$ 729,957
Liabilities:		
Accounts payable	\$ 647	\$ 1,614
Accrued wages and benefits.	-	47,470
Pension obligation payable	140	15,769
Intergovernmental payable	21	1,936
Total liabilities.	808	66,789
Deferred inflows of resources:		
Property taxes levied for the next fiscal year. . .	-	132,131
Total deferred inflows of resources	-	132,131
Fund balances:		
Nonspendable:		
Materials and supplies inventory.	-	13,858
Restricted:		
Classroom facilities maintenance	-	170,238
Food service operations	-	261,437
Non-public schools	-	20,808
Special education	-	42,711
Targeted academic assistance	10,540	12,431
Extracurricular activities	-	65
Other purposes.	-	9,489
Total fund balances	10,540	531,037
Total liabilities, deferred inflows of resources and fund balances.	\$ 11,348	\$ 729,957

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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, 2014

	<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	310,241	-	-	-
Earnings on investments	685	-	-	-
Extracurricular	-	-	-	-
Contributions and donations	-	2,000	-	-
Other local revenues	9,942	-	-	-
Intergovernmental - intermediate	-	-	5,945	-
Intergovernmental - state	4,223	-	-	-
Intergovernmental - federal	232,896	-	-	-
Total revenues	<u>557,987</u>	<u>2,000</u>	<u>5,945</u>	<u>132,131</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	3,000	-	-
Special	-	-	-	-
Other	-	-	-	-
Support services:				
Pupil	-	-	4,014	-
Instructional staff	-	-	1,861	-
Fiscal	-	-	1,280	-
Operations and maintenance	-	-	-	94,024
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	560,705	-	-	-
Other non-instructional services	-	-	-	-
Extracurricular activities	-	-	-	-
Total expenditures	<u>560,705</u>	<u>3,000</u>	<u>7,155</u>	<u>94,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,718)</u>	<u>(1,000)</u>	<u>(1,210)</u>	<u>38,107</u>
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,718)	(1,000)	(1,210)	38,107
Fund balances (deficit), July 1	<u>278,013</u>	<u>6,775</u>	<u>4,619</u>	<u>132,131</u>
Fund balances, June 30	<u>\$ 275,295</u>	<u>\$ 5,775</u>	<u>\$ 3,409</u>	<u>\$ 170,238</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>Data Communication</u>	<u>Race to the Top</u>	<u>Title VI-B</u>	<u>Title I</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	27	-	-	-	-
77,708	-	-	-	-	-
-	-	-	-	-	-
253	-	-	-	-	-
-	-	-	-	-	-
-	66,150	5,400	-	-	-
-	-	-	46,882	337,015	175,547
<u>77,961</u>	<u>66,177</u>	<u>5,400</u>	<u>46,882</u>	<u>337,015</u>	<u>175,547</u>
-	-	-	-	-	-
-	-	-	-	208,105	158,666
-	-	-	-	-	9,939
-	-	-	-	100,962	14,902
-	-	-	50,650	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	5,400	-	-	-
-	-	-	-	-	-
-	47,794	-	-	-	-
119,382	-	-	-	-	-
<u>119,382</u>	<u>47,794</u>	<u>5,400</u>	<u>50,650</u>	<u>309,067</u>	<u>183,507</u>
<u>(41,421)</u>	<u>18,383</u>	<u>-</u>	<u>(3,768)</u>	<u>27,948</u>	<u>(7,960)</u>
41,900	-	-	-	-	-
<u>41,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
479	18,383	-	(3,768)	27,948	(7,960)
(414)	2,425	-	4,073	14,763	9,851
<u>\$ 65</u>	<u>\$ 20,808</u>	<u>\$ -</u>	<u>\$ 305</u>	<u>\$ 42,711</u>	<u>\$ 1,891</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, 2014

	Title II-A	Total Nonmajor Special Revenue Funds
Revenues:		
From local sources:		
Taxes	\$ -	\$ 132,131
Charges for services	-	310,241
Earnings on investments	-	712
Extracurricular	-	77,708
Contributions and donations	-	2,000
Other local revenues	-	10,195
Intergovernmental - intermediate	-	5,945
Intergovernmental - state	-	75,773
Intergovernmental - federal	50,985	843,325
Total revenues	50,985	1,458,030
Expenditures:		
Current:		
Instruction:		
Regular	-	3,000
Special	-	366,771
Other	-	9,939
Support services:		
Pupil	-	119,878
Instructional staff	44,511	97,022
Fiscal	-	1,280
Operations and maintenance	-	94,024
Central	-	5,400
Operation of non-instructional services:		
Food service operations	-	560,705
Other non-instructional services	-	47,794
Extracurricular activities	-	119,382
Total expenditures	44,511	1,425,195
Excess (deficiency) of revenues over (under) expenditures	6,474	32,835
Other financing sources:		
Transfers in	-	41,900
Total other financing sources	-	41,900
Net change in fund balances	6,474	74,735
Fund balances (deficit), July 1	4,066	456,302
Fund balances, June 30	\$ 10,540	\$ 531,037

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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, 2014

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Food Services			
Total Revenues and Other Sources	\$ 533,468	\$ 532,078	\$ (1,390)
Total Expenditures and Other Uses	<u>698,632</u>	<u>538,113</u>	<u>160,519</u>
Net Change in Fund Balances	(165,164)	(6,035)	159,129
Fund Balance, July 1	298,875	298,875	-
Prior Year Encumbrances Appropriated	<u>162</u>	<u>162</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 133,873</u>	<u>\$ 293,002</u>	<u>\$ 159,129</u>
School Trusts			
Total Revenues and Other Sources	\$ 2,000	\$ 2,000	\$ -
Total Expenditures and Other Uses	<u>5,000</u>	<u>3,000</u>	<u>2,000</u>
Net Change in Fund Balances	(3,000)	(1,000)	2,000
Fund Balance, July 1	<u>6,775</u>	<u>6,775</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 3,775</u>	<u>\$ 5,775</u>	<u>\$ 2,000</u>
Other Local Grants			
Total Revenues and Other Sources	\$ 6,112	\$ 5,945	\$ (167)
Total Expenditures and Other Uses	<u>7,940</u>	<u>7,805</u>	<u>135</u>
Net Change in Fund Balances	(1,828)	(1,860)	(32)
Fund Balance, July 1	<u>5,269</u>	<u>5,269</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 3,441</u>	<u>\$ 3,409</u>	<u>\$ (32)</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, 2014

	<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	\$ -
Total Expenditures and Other Uses	<u>108,525</u>	<u>94,024</u>	<u>14,501</u>
Net Change in Fund Balances	23,606	38,107	14,501
Fund Balance, July 1	<u>132,131</u>	<u>132,131</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 155,737</u></u>	<u><u>\$ 170,238</u></u>	<u><u>\$ 14,501</u></u>
Student Activity			
Total Revenues and Other Sources	\$ 127,849	\$ 120,324	\$ (7,525)
Total Expenditures and Other Uses	<u>122,116</u>	<u>120,284</u>	<u>1,832</u>
Net Change in Fund Balances	5,733	40	(5,693)
Fund Balance (Deficit), July 1	(678)	(678)	-
Prior Year Encumbrances Appropriated	<u>703</u>	<u>703</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 5,758</u></u>	<u><u>\$ 65</u></u>	<u><u>\$ (5,693)</u></u>
Auxiliary Services			
Total Revenues and Other Sources	\$ 78,143	\$ 66,206	\$ (11,937)
Total Expenditures and Other Uses	<u>119,355</u>	<u>86,509</u>	<u>32,846</u>
Net Change in Fund Balances	(41,212)	(20,303)	20,909
Fund Balance, July 1	2,085	2,085	-
Prior Year Encumbrances Appropriated	<u>39,256</u>	<u>39,256</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 129</u></u>	<u><u>\$ 21,038</u></u>	<u><u>\$ 20,909</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, 2014

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Data Communication			
Total Revenues and Other Sources	\$ 5,400	\$ 5,400	\$ -
Total Expenditures and Other Uses	<u>2,700</u>	<u>5,400</u>	<u>(2,700)</u>
Net Change in Fund Balances	2,700	-	(2,700)
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ (2,700)</u>
Race to the Top			
Total Revenues and Other Sources	\$ 54,715	\$ 46,882	\$ (7,833)
Total Expenditures and Other Uses	<u>58,340</u>	<u>51,003</u>	<u>7,337</u>
Net Change in Fund Balances	(3,625)	(4,121)	(496)
Fund Balance, July 1	<u>4,124</u>	<u>4,124</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 499</u>	<u>\$ 3</u>	<u>\$ (496)</u>
Title VI-B			
Total Revenues and Other Sources	\$ 337,015	\$ 312,385	\$ (24,630)
Total Expenditures and Other Uses	<u>355,211</u>	<u>354,182</u>	<u>1,029</u>
Net Change in Fund Balances	(18,196)	(41,797)	(23,601)
Fund Balance, July 1	-	-	-
Prior Year Encumbrances Appropriated	<u>18,196</u>	<u>18,196</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ -</u>	<u>\$ (23,601)</u>	<u>\$ (23,601)</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, 2014

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Title I			
Total Revenues and Other Sources	\$ 208,990	\$ 198,517	\$ (10,473)
Total Expenditures and Other Uses	<u>215,757</u>	<u>186,982</u>	<u>28,775</u>
Net Change in Fund Balances	(6,767)	11,535	18,302
Fund Balance (Deficit), July 1	(512)	(512)	-
Prior Year Encumbrances Appropriated	<u>8,116</u>	<u>8,116</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 837</u>	<u>\$ 19,139</u>	<u>\$ 18,302</u>
Title II-A			
Total Revenues and Other Sources	\$ 54,998	\$ 49,183	\$ (5,815)
Total Expenditures and Other Uses	<u>58,096</u>	<u>54,866</u>	<u>3,230</u>
Net Change in Fund Balances	(3,098)	(5,683)	(2,585)
Fund Balance (Deficit), July 1	(9,944)	(9,944)	-
Prior Year Encumbrances Appropriated	<u>13,056</u>	<u>13,056</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 14</u>	<u>\$ (2,571)</u>	<u>\$ (2,585)</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, 2014

	<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	\$ 10,786	\$ 10,261	\$ (525)
Total Expenditures and Other Uses	<u>21,625</u>	<u>16,981</u>	<u>4,644</u>
Net Change in Fund Balances	(10,839)	(6,720)	4,119
Fund Balance, July 1	<u>24,709</u>	<u>24,709</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 13,870</u></u>	<u><u>\$ 17,989</u></u>	<u><u>\$ 4,119</u></u>
Public School Support			
Total Revenues and Other Sources	\$ 102,912	\$ 74,754	\$ (28,158)
Total Expenditures and Other Uses	<u>102,759</u>	<u>98,847</u>	<u>3,912</u>
Net Change in Fund Balances	153	(24,093)	(24,246)
Fund Balance, July 1	31,290	31,290	-
Prior Year Encumbrances Appropriated	<u>1,224</u>	<u>1,224</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 32,667</u></u>	<u><u>\$ 8,421</u></u>	<u><u>\$ (24,246)</u></u>
KeyCare			
Total Revenues and Other Sources	\$ 71,534	\$ 71,546	\$ 12
Total Expenditures and Other Uses	<u>72,039</u>	<u>70,009</u>	<u>2,030</u>
Net Change in Fund Balances	(505)	1,537	2,042
Fund Balance, July 1	<u>52,037</u>	<u>52,037</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 51,532</u></u>	<u><u>\$ 53,574</u></u>	<u><u>\$ 2,042</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, 2014

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Employee Benefits			
Total Revenues and Other Sources	\$ 7,118	\$ 13,483	\$ 6,365
Total Expenditures and Other Uses	<u>9,200</u>	<u>3,505</u>	<u>5,695</u>
Net Change in Fund Balances	(2,082)	9,978	12,060
Fund Balance, July 1	<u>6,553</u>	<u>6,553</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,471</u>	<u>\$ 16,531</u>	<u>\$ 12,060</u>
Termination Benefits			
Total Revenues and Other Sources	\$ 215,900	\$ 200,100	\$ (15,800)
Total Expenditures and Other Uses	<u>201,914</u>	<u>200,733</u>	<u>1,181</u>
Net Change in Fund Balances	13,986	(633)	(14,619)
Fund Balance, July 1	<u>705</u>	<u>705</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 14,691</u>	<u>\$ 72</u>	<u>\$ (14,619)</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, 2014

	<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	\$ 1,264,060	\$ 1,253,982	\$ (10,078)
Total Expenditures and Other Uses	<u>1,122,731</u>	<u>1,107,631</u>	<u>15,100</u>
Net Change in Fund Balances	141,329	146,351	5,022
Fund Balance, July 1	<u>1,538,106</u>	<u>1,538,106</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 1,679,435</u></u>	<u><u>\$ 1,684,457</u></u>	<u><u>\$ 5,022</u></u>

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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014

	Permanent Improvement	Other Capital Projects	Total Nonmajor Capital Projects Funds
Assets:			
Equity in pooled cash and investments.	\$ 347,006	\$ 162,405	\$ 509,411
Receivables:			
Taxes	100,845	-	100,845
Total assets.	\$ 447,851	\$ 162,405	\$ 610,256
Liabilities:			
Contracts payable.	\$ 291	\$ -	\$ 291
Total liabilities.	291	-	291
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	49,989	-	49,989
Delinquent property tax revenue not available . .	13,340	-	13,340
Total deferred inflows of resources	63,329	-	63,329
Fund balances:			
Restricted:			
Capital improvements	384,231	-	384,231
Committed:			
Capital improvements	-	162,405	162,405
Total fund balances	384,231	162,405	546,636
Total liabilities, deferred inflows of resources and fund balances.	\$ 447,851	\$ 162,405	\$ 610,256

**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, 2014

	Permanent Improvement	Other Capital Projects	Total Nonmajor Capital Projects Funds
Revenues:			
From local sources:			
Taxes	\$ 100,723	\$ -	\$ 100,723
Contributions and donations	20,000	62,717	82,717
Other local revenues	14,532	-	14,532
Intergovernmental - state	39,365	-	39,365
Total revenues	174,620	62,717	237,337
Expenditures:			
Current:			
Instruction:			
Regular	100,000	-	100,000
Support services:			
Fiscal	3,955	-	3,955
Pupil transportation	25,000	-	25,000
Central	8,911	-	8,911
Extracurricular activities	700	-	700
Facilities acquisition and construction	69,313	25,739	95,052
Debt service:			
Principal retirement	52,000	-	52,000
Interest and fiscal charges	30,322	-	30,322
Total expenditures	290,201	25,739	315,940
Net change in fund balances	(115,581)	36,978	(78,603)
Fund balances, July 1	499,812	125,427	625,239
Fund balances, June 30.	\$ 384,231	\$ 162,405	\$ 546,636

**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, 2014

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Permanent Improvement			
Total Revenues and Other Sources	\$ 160,815	\$ 159,666	\$ (1,149)
Total Expenditures and Other Uses	<u>584,883</u>	<u>576,797</u>	<u>8,086</u>
Net Change in Fund Balances	(424,068)	(417,131)	6,937
Fund Balance, July 1	413,395	413,395	-
Prior Year Encumbrances Appropriated	<u>307,513</u>	<u>307,513</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 296,840</u>	<u>\$ 303,777</u>	<u>\$ 6,937</u>
Other Capital Projects			
Total Revenues and Other Sources	\$ 65,000	\$ 62,717	\$ (2,283)
Total Expenditures and Other Uses	<u>54,100</u>	<u>35,779</u>	<u>18,321</u>
Net Change in Fund Balances	10,900	26,938	16,038
Fund Balance, July 1	<u>125,427</u>	<u>125,427</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 136,327</u>	<u>\$ 152,365</u>	<u>\$ 16,038</u>

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

Agency Funds

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

District Agency Fund

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

Student Activity Fund

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

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Balance July 1, 2013	Additions	Deletions	Ending Balance June 30, 2014
District Agency				
Assets:				
Equity in pooled cash and investments	\$ -	\$ 6,048	\$ 5,996	\$ 52
Total assets.	\$ -	\$ 6,048	\$ 5,996	\$ 52
Liabilities:				
Due to students.	\$ -	\$ 6,048	\$ 5,996	\$ 52
Total liabilities	\$ -	\$ 6,048	\$ 5,996	\$ 52
Student Activity				
Assets:				
Equity in pooled cash and investments	\$ 44,150	\$ 76,814	\$ 70,662	\$ 50,302
Total assets.	\$ 44,150	\$ 76,814	\$ 70,662	\$ 50,302
Liabilities:				
Accounts payable.	\$ 429	\$ 532	\$ 429	\$ 532
Due to students.	43,721	76,282	70,233	49,770
Total liabilities	\$ 44,150	\$ 76,814	\$ 70,662	\$ 50,302
Total Agency Funds				
Assets:				
Equity in pooled cash and investments	\$ 44,150	\$ 82,862	\$ 76,658	\$ 50,354
Total assets.	\$ 44,150	\$ 82,862	\$ 76,658	\$ 50,354
Liabilities:				
Accounts payable.	\$ 429	\$ 532	\$ 429	\$ 532
Due to students.	43,721	82,330	76,229	49,822
Total liabilities	\$ 44,150	\$ 82,862	\$ 76,658	\$ 50,354

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STATISTICAL SECTION

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

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	94-107
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	108-113
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.	114-117
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.	118-119
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.	120-126

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>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>
Governmental activities				
Net investment in capital assets	\$ 6,260,303	\$ 3,218,793	\$ 3,118,131	\$ 3,636,413
Restricted	19,303,893	23,173,283	2,671,345	2,733,109
Unrestricted	1,557,711	3,066,465	3,883,911	3,734,145
Total governmental activities net position	<u>\$ 27,121,907</u>	<u>\$ 29,458,541</u>	<u>\$ 9,673,387</u>	<u>\$ 10,103,667</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.

2010	2009	2008	2007	2006	2005
\$ 3,748,240	\$ 3,597,575	\$ 4,160,612	\$ 3,949,750	\$ 7,120,595	\$ 6,916,902
2,547,989	2,640,004	2,455,662	2,225,265	3,421,604	1,915,127
3,731,747	4,012,688	4,690,946	3,398,899	5,796	400,908
<u>\$ 10,027,976</u>	<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>

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

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

	<u>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>
Expenses				
Governmental activities:				
Instruction:				
Regular	\$ 8,574,984	\$ 8,089,685	\$ 7,812,891	\$ 7,886,625
Special	2,211,408	1,908,297	1,752,181	1,705,354
Vocational	55,253	73,140	106,481	102,822
Other	93,531	102,219	100,517	91,730
Support services:				
Pupil	1,000,941	982,553	1,018,365	1,005,556
Instructional staff	450,809	438,155	507,328	473,860
Board of education	44,537	31,080	51,535	32,725
Administration	1,415,995	1,328,357	1,170,114	1,216,788
Fiscal	470,323	486,395	497,950	448,063
Operations and maintenance	1,455,702	1,489,655	1,273,567	1,173,432
Pupil transportation	1,006,710	922,047	963,081	887,051
Central	345,561	347,854	478,171	373,804
Operation of non-instructional services:				
Food service operations	579,067	533,896	542,523	504,207
Latchkey operations	69,748	61,874	54,577	49,485
Other non-instructional services	56,790	121,521	62,265	86,977
Extracurricular activities	463,359	456,214	522,179	454,751
Interest and fiscal charges	1,401,336	1,292,291	1,363,542	1,138,834
Bond issuance costs	136,589	97,895	121,118	225,915
Total governmental activities expenses	<u>19,832,643</u>	<u>18,763,128</u>	<u>18,398,385</u>	<u>17,857,979</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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	7,587,064	\$ 7,571,878	\$ 7,727,254	\$ 6,588,597	\$ 6,704,413	\$ 6,672,376
	1,626,780	1,416,017	1,242,249	1,233,663	1,161,680	1,149,365
	101,087	102,875	104,101	97,379	180,125	191,049
	114,886	89,080	75,094	67,102	111,245	-
	886,994	810,521	858,666	771,574	868,064	1,003,630
	532,728	443,050	468,744	478,054	348,743	500,452
	34,668	42,208	40,185	33,019	35,244	38,728
	1,238,876	1,139,342	1,162,659	1,009,418	1,175,011	1,210,985
	428,194	414,440	408,441	362,847	392,992	353,995
	1,326,992	1,436,266	1,186,268	1,333,631	1,122,995	1,117,247
	958,546	901,853	870,189	851,300	986,260	813,566
	374,039	465,653	238,823	219,552	120,958	160,288
	485,656	483,727	439,113	425,493	463,918	442,368
	55,778	59,162	55,825	45,876	51,215	46,376
	111,471	80,774	127,319	83,740	63,469	72,164
	463,680	368,793	375,208	328,720	324,673	379,314
	753,411	772,798	760,496	793,879	759,783	608,716
	-	-	-	-	-	-
	<u>17,080,850</u>	<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>

- (Continued)

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

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

Program Revenues	2014	2013	2012 (a)	2011 (a)
Governmental activities:				
Charges for services and sales:				
Instruction:				
Regular	\$ 1,364,746	\$ 1,134,614	\$ 932,268	\$ 671,489
Special	122,879	78,169	72,099	3,072
Other	-	-	-	-
Support services:				
Pupil	19,725	13,264	16,096	8,032
Instructional staff	569	233	647	147
Operations and maintenance	3,488	5,222	7,817	5,826
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	310,241	304,011	342,533	350,391
Latchkey operations	71,374	69,584	66,420	49,896
Extracurricular activities	77,708	75,616	83,892	82,936
Operating grants and contributions:				
Instruction:				
Regular	2,000	8,432	31,040	460,915
Special	812,388	630,854	602,357	821,977
Vocational	12,692	12,863	12,863	12,863
Other	9,508	23,638	19,839	17,130
Support services:				
Pupil	127,683	101,992	133,264	147,577
Instructional staff	96,284	82,318	91,219	144,152
Administration	-	22,413	13,695	73,554
Fiscal	1,064	-	4,644	131
Operations and maintenance	-	-	-	258,388
Pupil transportation	63,579	62,690	64,427	55,002
Central	5,400	5,400	5,400	142,583
Operation of non-instructional services:				
Food service operations	247,746	234,298	240,032	180,203
Other non-instructional services	66,177	76,031	76,568	73,547
Extracurricular activities	253	834	4,053	1,401
Capital grants and contributions:				
Instruction:				
Regular	77,151	148,917	5,625	-
Support services:				
Fiscal	571	2,857	461	-
Operations and maintenance	-	791	2,845	-
Pupil transportation	3,608	-	8,154	-
Central	1,286	10,226	307	-
Extracurricular activities	101	-	-	-
Total governmental program revenues	3,498,221	3,105,267	2,838,565	3,561,212
Net (Expense)/Revenue				
Governmental activities	\$ (16,334,422)	\$ (15,657,861)	\$ (15,559,820)	\$ (14,296,767)

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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	525,405	\$ 494,562	\$ 367,690	\$ 513,216	\$ 279,318	\$ 68,955
	3,305	-	-	-	-	-
	-	-	12,335	-	-	-
	22,915	30,376	41,347	-	50,427	58,623
	274	777	-	-	-	-
	6,269	8,238	11,061	-	-	41,144
	-	104	-	-	-	-
	353,457	381,544	355,508	345,163	329,548	322,058
	47,652	53,391	53,036	56,826	51,053	-
	68,147	75,971	89,123	82,298	77,710	81,919
	46,816	38,437	3,237	11,000	62,428	148,934
	417,214	632,930	636,432	167,819	133,340	205,380
	12,767	13,128	13,777	-	-	-
	34,579	-	-	-	-	-
	148,962	123,445	181,590	210,367	226,407	134,043
	84,735	64,803	87,972	162,313	230,151	158,223
	80,863	65,461	64,566	20,000	-	19,948
	5,000	8,952	-	6,010	-	1,048
	254,918	-	9,000	-	-	13,881
	101,401	60,045	51,872	50,000	-	32,357
	176,263	77	5,948	5,513	9,623	3,370
	154,812	138,247	114,059	113,106	127,727	102,019
	77,864	96,033	93,533	93,653	93,973	85,042
	6,732	6,070	100	-	-	-
	-	16,343	90,872	13,694	-	15,225
	-	-	-	-	-	-
	-	-	-	3,000	12,000	-
	-	12,066	6,559	-	-	-
	-	-	-	-	-	-
	5,000	126,930	-	-	-	-
	<u>2,635,350</u>	<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>(14,445,500)</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>

- (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>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>
Property taxes levied for:				
General purposes	\$ 5,060,622	\$ 5,095,630	\$ 5,596,868	\$ 5,098,704
Debt service	1,106,042	1,154,297	1,388,241	1,221,080
Capital outlay	89,017	90,534	243,854	218,383
Special revenue	132,131	132,131	-	-
Grants and entitlements not restricted to specific programs	7,279,900	7,377,981	7,570,683	7,498,166
Grants and entitlements restricted for				
Ohio Facilities Construction Commission	-	21,293,978	-	-
Investment earnings	43,593	35,057	52,105	48,618
Increase (decrease) in fair value of investments	725	(35,232)	-	-
Miscellaneous	285,758	298,639	277,789	287,507
Total governmental activities	<u>13,997,788</u>	<u>35,443,015</u>	<u>15,129,540</u>	<u>14,372,458</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>\$ (2,336,634)</u>	<u>\$ 19,785,154</u>	<u>\$ (430,280)</u>	<u>\$ 75,691</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.

	2010	2009	2008	2007	2006	2005
\$	4,849,409	\$ 4,295,550	\$ 5,459,903	\$ 4,954,642	\$ 4,833,720	\$ 5,141,885
	1,170,484	1,021,138	1,323,539	1,200,168	1,279,435	1,241,464
	205,597	183,446	233,573	217,326	229,046	246,558
	-	-	-	-	-	-
	7,709,810	7,695,009	7,525,555	7,726,248	7,529,775	7,479,210
	-	-	-	-	-	-
	30,565	150,664	295,028	414,223	350,042	72,983
	-	-	-	-	-	-
	257,344	394,083	241,290	35,647	280,123	119,551
	<u>14,223,209</u>	<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>
	-	(646,336)	-	-	-	-
	-	(646,336)	-	-	-	-
	<u>\$ (222,291)</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>

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund:				
Nonspendable	\$ 18,207	\$ 17,201	\$ 15,660	\$ 14,186
Committed	164,341	-	123,199	20,000
Assigned	1,385,208	787,742	1,583,917	1,656,896
Unassigned	-	2,100,172	2,426,172	2,755,500
Reserved	-	-	-	-
Unreserved	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general fund	<u>\$ 1,567,756</u>	<u>\$ 2,905,115</u>	<u>\$ 4,148,948</u>	<u>\$ 4,446,582</u>
All Other Governmental Funds:				
Nonspendable	\$ 13,858	\$ 29,406	\$ 9,110	\$ 11,084
Restricted	13,691,353	8,002,317	7,130,006	13,224,957
Committed	162,405	125,427	7,392	5,000
Unassigned (deficit)	-	(414)	(18,644)	(4,123)
Reserved	-	-	-	-
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total all other governmental funds	<u>13,867,616</u>	<u>8,156,736</u>	<u>7,127,864</u>	<u>13,236,918</u>
Total governmental funds	<u>\$ 15,435,372</u>	<u>\$ 11,061,851</u>	<u>\$ 11,276,812</u>	<u>\$ 17,683,500</u>

Source: School District financial records.

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
313,189	508,715	1,346,813	1,198,693	1,320,915	1,094,117
<u>4,055,093</u>	<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>\$ 4,368,282</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,219,642	1,393,648	1,565,481	1,582,474	3,697,998	11,058,261
224,532	335,012	245,496	116,567	124,501	98,407
<u>971,017</u>	<u>862,101</u>	<u>778,960</u>	<u>644,198</u>	<u>(303,100)</u>	<u>1,078,722</u>
<u>2,415,191</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>\$ 6,783,473</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>

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues				
From local sources:				
Taxes	\$ 6,634,748	\$ 6,439,549	\$ 6,770,183	\$ 6,811,405
Tuition and fees	1,406,341	1,131,481	930,521	603,722
Charges for services	310,241	304,063	338,593	343,880
Earnings on investments	39,406	37,462	53,694	48,229
Increase (decrease) in fair value of investments	725	(35,232)	-	-
Extracurricular	98,002	89,061	98,937	89,324
Classroom materials and fees	76,813	76,865	69,433	62,951
Rental income	3,488	5,222	7,817	5,826
Contributions and donations	86,146	164,791	29,069	3,654
Contract services	4,471	4,437	3,911	7,888
Other local revenues	365,898	375,655	350,349	345,605
Intergovernmental	-	-	-	-
Intergovernmental - intermediate	5,945	10,072	40,007	10,055
Intergovernmental - state	18,135,373	13,622,903	7,480,036	7,650,851
Intergovernmental - federal	1,269,354	1,315,723	1,697,573	1,890,678
Total revenues	<u>28,436,951</u>	<u>23,542,052</u>	<u>17,870,123</u>	<u>17,874,068</u>
Expenditures				
Current:				
Instruction:				
Regular	7,750,680	7,405,709	7,105,699	7,355,952
Special	2,163,747	1,907,667	1,751,605	1,705,416
Vocational	54,032	103,756	105,314	102,179
Other	93,301	102,449	100,517	91,730
Support services:				
Pupil	974,684	1,017,645	1,009,267	1,001,149
Instructional staff	433,119	435,122	503,978	470,510
Board of education	43,390	31,246	51,535	32,725
Administration	1,405,049	1,337,377	1,159,162	1,201,544
Fiscal	456,726	480,505	497,353	455,803
Operations and maintenance	1,360,731	1,169,841	1,209,641	1,112,437
Pupil transportation	926,320	854,319	961,052	842,862
Central	322,824	337,655	471,051	377,054
Operation of non-instructional services:				
Food service operations	560,705	524,803	541,275	493,375
Latchkey operations	69,748	61,874	54,577	49,485
Other non-instructional services	55,454	121,604	62,265	86,977
Extracurricular activities	381,453	382,930	448,895	381,467
Facilities acquisition and construction	5,328,458	5,910,747	6,503,643	786,805
Capital outlay	-	-	-	372,368
Debt service:				
Principal retirement	493,703	325,825	258,397	883,287
Interest and fiscal charges	1,189,306	1,245,939	1,481,585	1,044,231
Bond issuance costs	136,589	97,895	121,118	225,915
Total expenditures	<u>24,200,019</u>	<u>23,854,908</u>	<u>24,397,929</u>	<u>19,073,271</u>
Excess (deficiency) of revenues over (under) expenditures	4,236,932	(312,856)	(6,527,806)	(1,199,203)

Source: School District financial records.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	6,273,572	\$ 5,403,970	\$ 6,883,813	\$ 6,295,184	\$ 6,339,828	\$ 6,621,876
	454,021	419,581	355,958	377,456	330,371	109,599
	341,006	366,484	355,508	334,798	309,497	316,175
	28,962	151,933	298,446	344,099	324,107	434,021
	-	-	-	-	-	-
	72,030	77,507	77,007	87,732	97,513	105,249
	67,492	74,981	77,103	-	-	-
	6,269	6,613	11,061	-	-	-
	16,820	38,395	32,543	-	-	-
	7,197	-	-	-	-	-
	336,753	610,810	292,410	233,164	165,753	150,652
	-	-	-	8,582,723	8,424,561	8,398,680
	5,902	7,420	7,049	-	-	-
	7,885,218	8,244,818	8,093,186	-	-	-
	1,361,162	694,053	728,894	-	-	-
	<u>16,856,404</u>	<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>
	7,021,672	6,935,336	6,733,121	6,784,944	6,782,001	6,679,794
	1,638,378	1,416,148	1,181,419	1,262,793	1,168,387	1,127,148
	100,478	102,032	97,689	99,547	180,861	189,986
	116,797	89,025	71,238	70,893	113,592	-
	882,916	805,837	824,645	804,530	932,756	995,821
	529,378	439,700	450,490	501,623	360,100	418,128
	34,668	42,208	39,158	33,019	35,244	38,728
	1,246,756	1,134,662	1,121,363	996,544	1,208,170	1,221,624
	417,531	413,401	391,455	380,471	413,774	349,545
	1,217,001	1,307,832	1,167,067	1,370,859	1,144,122	1,104,670
	1,034,244	933,691	838,352	842,977	957,829	764,552
	384,903	462,887	242,335	217,950	124,855	160,113
	481,473	480,562	451,830	428,268	471,346	445,941
	55,778	59,162	53,322	45,876	52,443	46,496
	111,471	80,774	118,962	83,740	63,469	72,164
	396,081	363,707	354,924	318,879	326,982	375,711
	147,450	1,721,517	244,543	-	-	-
	-	-	-	1,309,580	9,182,968	7,018,313
	734,000	645,000	605,000	510,000	475,000	1,154,418
	734,586	754,830	738,034	749,450	760,575	-
	-	-	-	-	-	-
	<u>17,285,561</u>	<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>
	(429,157)	(2,091,746)	1,488,031	(556,787)	(8,762,844)	(6,026,900)

- (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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Other Financing Sources (Uses)				
Lease-purchase agreement	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-
Transfers in	41,900	28,100	41,800	17,096
Transfers (out)	(41,900)	(28,100)	(41,800)	(17,096)
Premium on refunding bonds	173,237	408,233	935,832	-
Sale of refunding bonds	5,804,978	4,339,094	8,554,726	-
Payment to refunded bond escrow agent	(5,841,626)	(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
Total other financing sources (uses)	<u>136,589</u>	<u>97,895</u>	<u>121,118</u>	<u>12,099,230</u>
Special Item				
Sale of capital assets	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,373,521</u>	<u>\$ (214,961)</u>	<u>\$ (6,406,688)</u>	<u>\$ 10,900,027</u>
Capital expenditures	\$ 5,316,946	\$ 5,662,247	\$ 6,537,372	\$ 1,163,719
Debt service as a percentage of noncapital expenditures	8.91%	8.64%	9.74%	10.76%

Source: School District financial records.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ -	\$ 890,000	\$ -	\$ -	\$ -	\$ -
1,807	10,030	-	-	589	1,679
25,000	1,017,061	11,687	-	2,507	17,685,741
(25,000)	(28,937)	(11,687)	-	(2,507)	(17,685,741)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,807</u>	<u>1,888,154</u>	<u>-</u>	<u>-</u>	<u>589</u>	<u>1,679</u>
-	594,123	-	-	-	-
-	<u>594,123</u>	-	-	-	-
<u>\$ (427,350)</u>	<u>\$ 390,531</u>	<u>\$ 1,488,031</u>	<u>\$ (556,787)</u>	<u>\$ (8,762,255)</u>	<u>\$ (6,025,221)</u>
\$ 232,781	\$ 1,717,822	\$ 370,430	\$ 1,972,910	\$ 9,156,879	\$ 6,817,425
8.61%	8.50%	8.75%	8.49%	7.92%	7.52%

**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
2014	\$ 227,675,030	\$ 650,500,086	\$ -	\$ -	\$ 11,427,140	\$ 32,648,971
2013	226,640,100	647,543,143	-	-	11,875,840	33,930,971
2012	252,957,500	722,735,714	-	-	11,305,270	32,300,771
2011	254,638,260	727,537,886	-	-	10,818,110	30,908,886
2010	252,011,520	720,032,914	721,700	2,886,800	8,515,930	24,331,229
2009	265,642,394	758,978,269	2,909,940	11,639,760	10,150,420	29,001,200
2008	261,007,180	745,734,800	2,233,899	8,935,596	10,066,060	28,760,171
2007	255,923,180	731,209,086	4,535,488	18,141,952	12,065,090	34,471,686
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

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	%	
\$ 49.87	\$ 239,102,170	\$ 683,149,057	35.00%	
49.82	238,515,940	681,474,114	35.00%	
50.10	264,262,770	755,036,486	35.00%	
49.83	265,456,370	758,446,771	35.00%	
49.90	261,249,150	747,250,943	34.96%	
49.60	278,702,754	799,619,229	34.85%	
49.75	273,307,139	783,430,567	34.89%	
49.91	272,523,758	783,822,723	34.77%	
50.21	240,987,517	695,509,885	34.65%	
50.21	235,095,368	679,938,322	34.58%	

**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
2013/2014	\$ 14.48	\$ 6.10	\$ 6.30	\$ 7.25	\$ 8.78	\$ 8.01	\$ 4.55
2012/2013	13.66	6.10	6.30	7.25	8.78	8.01	4.55
2011/2012	13.69	6.10	6.30	7.25	7.78	8.01	3.40
2010/2011	13.69	6.10	6.23	7.28	7.78	8.08	4.59
2009/2010	13.39	5.68	6.23	7.28	7.78	8.08	4.59
2008/2009	13.39	4.78	6.23	7.28	7.78	7.28	4.59
2007/2008	13.39	4.78	8.93	7.28	7.78	7.28	5.97
2006/2007	13.49	4.78	8.93	7.28	7.78	7.28	5.97
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

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	\$ 5.27	\$ 2.00	\$ 4.62	\$ 49.87		
10.28	9.65	37.98	5.22	2.00	4.62	49.82		
10.28	8.50	37.98	5.50	2.00	4.62	50.10		
10.78	9.72	37.98	5.23	2.00	4.62	49.83		
10.78	9.72	37.98	5.30	2.00	4.62	49.90		
10.78	9.72	37.98	5.00	2.00	4.62	49.60		
10.78	11.10	37.98	5.15	2.00	4.62	49.75		
10.78	11.10	37.98	5.31	2.00	4.62	49.91		
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		

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

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2013 AND DECEMBER 31, 2004

December 31, 2013			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Columbia Gas Transmission	\$ 4,216,610	1	1.77%
Ohio Edison - FirstEnergy Company	2,999,570	2	1.25%
Lorain-Medina Rural Electric Cooperative, Inc.	2,291,400	3	0.96%
Gordon Farms Partnership, LLP.	1,202,740	4	0.50%
Sentinel Square, LLC.	1,162,490	5	0.49%
Durham Ridge Investments, LLC.	1,058,070	6	0.44%
Twin Lake Homes, LTD.	997,100	7	0.42%
Greyhawk Land Holdings, LLC.	979,530	8	0.41%
Elyria Country Club	844,670	9	0.35%
Columbia Gas of Ohio, Inc.	835,760	10	0.35%
Total	\$ 16,587,940		6.94%

December 31, 2004			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Columbia Gas Transmission	\$ 4,414,030	1	1.88%
Ohio Edison - FirstEnergy Company	1,853,200	2	0.79%
Alltel Ohio, Inc.	1,785,340	3	0.76%
Elyria Country Club	1,466,840	4	0.62%
Lorain-Medina Rural Electric Cooperative, Inc.	1,335,310	5	0.57%
Kaltenbach Foods, Inc.	1,067,050	6	0.45%
Twin Lake Homes, LTD.	952,870	7	0.41%
Gordon Farms Partnership, LLP.	893,980	8	0.38%
MCI WorldCom, Inc.	725,550	9	0.31%
Columbia Gas of Ohio, Inc.	637,370	10	0.27%
Total	\$ 15,131,540		6.44%

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
2013/2014	\$ 7,182,548	\$ 6,903,521	96.12%	\$ 134,258	\$ 7,037,779	97.98%
2012/2013	7,164,228	7,406,100	103.38%	236,907	7,643,007	106.68%
2011/2012	7,461,429	7,550,080	101.19%	337,127	7,887,207	105.71%
2010/2011	7,418,268	7,433,938	100.21%	264,604	7,698,542	103.78%
2009/2010	7,321,678	7,323,056	100.02%	268,712	7,591,768	103.69%
2008/2009	7,353,741	7,205,996	97.99%	275,376	7,481,372	101.74%
2007/2008	7,372,697	7,273,372	98.65%	251,484	7,524,856	102.06%
2006/2007	7,445,731	7,475,900	100.41%	262,844	7,738,744	103.94%
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%

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	Capital Leases				
2014	\$ 26,120,057	\$ 650,000	\$ 127,156	\$ 26,897,213	1.30%	\$ 338	\$ 15,831
2013	26,236,737	702,000	203,859	27,142,596	1.39%	342	16,292
2012	26,036,550	752,000	274,684	27,063,234	1.39%	351	15,948
2011	25,354,422	800,000	340,081	26,494,503	1.03%	343	15,724
2010	14,399,488	846,000	-	15,245,488	0.58%	192	8,952
2009	15,068,794	890,000	-	15,958,794	0.62%	201	9,235
2008	15,694,213	-	-	15,694,213	0.61%	198	8,989
2007	16,275,491	-	-	16,275,491	0.63%	205	9,037
2006	16,740,000	-	-	16,740,000	0.92%	210	9,188
2005	17,215,000	-	-	17,215,000	0.72%	215	9,516

Sources:

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

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

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

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 Net Position	Net Bonded Debt		
2014	\$ 26,120,057	\$ 1,634,556	\$ 24,485,501	3.58%	\$ 308
2013	26,236,737	1,538,510	24,698,227	3.62%	311
2012	26,036,550	1,325,294	24,711,256	3.27%	320
2011	25,354,422	868,452	24,485,970	3.23%	317
2010	14,399,488	1,158,641	13,240,847	1.77%	167
2009	15,068,794	1,216,201	13,852,593	1.73%	175
2008	15,694,213	1,405,964	14,288,249	1.82%	180
2007	16,275,491	1,281,099	14,994,392	1.91%	189
2006	16,740,000	1,214,171	15,525,829	2.23%	195
2005	17,215,000	1,036,660	16,178,340	2.38%	202

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, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 26,897,213	100.00%	\$ 26,897,213
Overlapping debt:			
Lorain County	27,905,000	3.86%	1,077,133
City of Elyria	28,905,000	0.19%	54,920
Lorain County Joint Vocational School District	3,267,776	4.36%	142,475
Total overlapping debt	<u>60,077,776</u>		<u>1,274,528</u>
 Total direct and overlapping debt	 <u>\$ 86,974,989</u>		 <u>\$ 28,171,741</u>

Source: Ohio Municipal Advisory Council.

Note: Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the District by the total assessed valuation of the subdivision. The valuations used were for the 2014 collection year.

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

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal Year	Voted Debt Limit	Total Debt Applicable to Limit (a)	Debt Service Available Balance	Net Debt Applicable to Limit	Voted Legal Debt Margin (b)	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2014	\$ 21,519,195	\$ 24,650,658	\$ 1,871,469	\$ 22,779,189	\$ (1,259,994)	105.86%
2013	21,466,435	24,740,130	1,644,833	23,095,297	(1,628,862)	107.59%
2012	23,783,649	24,827,619	1,313,200	23,514,419	269,230	98.87%
2011	23,636,620	25,080,563	964,028	24,116,535	(479,915)	102.03%
2010	23,447,471	14,273,964	1,142,605	13,131,359	10,316,112	56.00%
2009	24,811,556	14,957,125	1,193,326	13,763,799	11,047,757	55.47%
2008	24,379,249	15,621,155	1,402,119	14,219,036	10,160,213	58.32%
2007	24,527,138	16,254,763	1,305,862	14,948,901	9,578,237	60.95%
2006	21,688,877	16,781,245	1,255,416	15,525,829	6,163,048	71.58%
2005	21,158,583	17,256,028	1,077,688	16,178,340	4,980,243	76.46%

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>
2014	79,466	\$ 26.05	\$ 2,070,089	1,699	6.9%	5.3%	6.3%
2013	79,451	24.62	1,956,084	1,666	8.2%	7.2%	7.6%
2012	77,178	25.20	1,944,886	1,697	7.7%	7.2%	8.2%
2011	77,348	33.12	2,561,766	1,685	8.2%	8.8%	9.2%
2010	79,375	33.12	2,628,900	1,703	10.1%	10.5%	9.5%
2009	79,375	32.35	2,567,781	1,728	9.7%	10.4%	9.6%
2008	79,375	32.35	2,567,781	1,746	7.0%	6.7%	5.7%
2007	79,343	32.35	2,566,746	1,801	6.2%	5.5%	4.7%
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%

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 FIVE YEARS AGO

December 31, 2013

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Keystone Local School District	204	1
Keystone Pointe	150	2
West Roofing Systems, Inc.	75	3
Rural Lorain County Water Authority	60	4
Micron Manufacturing	50	5
Greyhawk Land Holdings, LLC.	50	6
SpaceBound, Inc.	48	7
Kaltenbach Foods, Inc.	45	8
Panel Master, LLC.	43	9
Mader Machine, Inc.	28	10
Total	<u>753</u>	

December 31, 2008

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Keystone Local School District	192	1
Keystone Pointe	160	2
Inservco Insurance Services, Inc.	85	3
West Roofing Systems, Inc.	50	4
Greyhawk Land Holdings, LLC.	40	5
Mader Machine, Inc.	31	6
Micron Manufacturing	30	7
SpaceBound, Inc.	27	8
Varbros, LLC.	23	9
Village of LaGrange	17	10
Total	<u>655</u>	

Source: Individual employers.

Note: Information was unavailable at December 31, 2004.

Information related to total employment within the District was unavailable at both December 31, 2013 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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Office - administrative	12.50	11.20	10.25	12.02	11.86	12.02	11.99	12.05	15.25	15.59
Professional - educational	101.56	101.30	103.85	102.31	107.19	98.51	98.18	96.31	106.53	107.37
Professional - other	18.27	20.05	21.64	13.67	15.52	15.55	12.97	16.26	18.06	16.31
Technical	3.93	1.00	1.00	1.00	1.00	1.00	-	-	-	-
Office - clerical	10.74	10.74	12.65	13.35	13.35	13.36	13.24	13.14	15.06	15.54
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	37.39	37.64	39.50	34.72	35.65	35.35	32.46	33.22	33.82	42.26
Total	185.39	182.93	189.89	178.07	185.57	176.79	169.84	171.98	189.72	198.07

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction:										
Regular	76.00	75.00	79.50	77.31	81.89	79.31	83.10	81.31	90.95	91.81
Special	17.56	17.49	14.54	14.00	14.30	12.20	11.58	11.50	12.50	11.50
Vocational	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.13
Other	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.72	2.00
Support services:										
Pupil	7.50	8.31	11.31	7.00	7.00	6.00	18.47	21.76	23.56	23.19
Instructional staff	18.70	17.55	19.14	17.53	19.38	19.55	4.00	4.00	4.72	4.62
Administration	22.24	20.94	21.90	19.65	19.49	16.53	13.24	13.14	14.34	13.97
Fiscal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations and maintenance	12.63	12.13	12.13	12.00	12.60	12.00	11.00	12.00	11.00	12.89
Pupil transportation	13.79	13.75	13.51	13.36	13.69	13.91	13.66	13.95	14.20	14.24
Central	1.00	1.00	1.00	1.00	1.00	1.00	0.17	0.17	0.17	3.00
Operation of non-instructional services:										
Food service operations	8.04	8.70	9.21	8.76	8.76	8.69	8.17	7.83	7.89	11.72
Other non-instructional	3.93	4.06	3.65	3.46	3.46	3.60	2.45	2.32	3.67	6.00
Total	185.39	182.93	189.89	178.07	185.57	176.79	169.84	171.98	189.72	198.07

Source: District records.

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

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

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction:										
Regular and special										
Enrollment (students)	1,699	1,666	1,697	1,685	1,703	1,750	1,780	1,836	1,874	1,912
Graduates	142	127	137	132	138	142	142	127	136	132
Support services:										
Board of education										
Regular meetings per year	22	23	22	19	22	23	22	22	24	22
Special meetings per year	3	-	4	6	6	2	2	-	3	1
Fiscal										
Nonpayroll checks issued	2,879	2,689	2,622	2,513	2,563	2,961	2,749	2,807	3,019	3,065
Operations and maintenance										
Square footage maintained	311,518	311,518	252,370	249,370	249,370	249,370	249,370	249,370	197,170	197,170
Pupil transportation										
Average students transported daily (a)	682	678	674	642	647	701	716	861	1,370	1,563
Food service operations										
Meals served to students	123,596	120,147	122,412	109,288	109,391	93,460	90,949	93,685	112,199	107,175
Number of students with free or reduced lunches	505	491	472	463	379	391	542	335	397	269

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
Construction in progress	6,126,383	891,987	6,988,082	695,396
Land improvements	2,309,837	2,477,758	2,645,679	2,704,100
Buildings and improvements	23,894,921	24,776,211	13,792,480	14,292,785
Furniture and equipment	437,877	576,162	520,826	634,566
Vehicles	230,968	270,613	339,719	331,000
Total governmental activities capital assets, net	<u>\$ 33,521,802</u>	<u>\$ 29,514,547</u>	<u>\$ 24,808,602</u>	<u>\$ 19,179,663</u>

Source: School District financial records.

2010	2009	2008	2007	2006	2005
\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
-	1,364,921	-	-	16,744,797	7,672,018
2,856,413	1,632,370	1,682,140	1,760,200	234,994	241,420
14,803,729	15,358,091	16,987,163	17,441,843	3,359,812	3,405,751
326,363	305,854	335,266	268,566	175,455	186,627
375,919	284,523	259,227	232,816	347,426	360,479
<u>\$ 18,884,240</u>	<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>

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

**SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	585	574	579	578
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	(b)	(b)	547	559
Keystone Middle School (2013)				
Square feet	59,148	59,148	(b)	(b)
Capacity (students)	370	370	(b)	(b)
Enrollment	397	400	(b)	(b)
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	717	692	571	548
Total enrollment by year	1,699	1,666	1,697	1,685

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 began maintaining the old middle school building despite it having no student population.

2010	2009	2008	2007	2006	2005
106,884	106,884	106,884	106,884	106,884	(a)
625	625	625	625	625	(a)
588	599	609	623	615	596
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
544	540	552	582	597	622
(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
571	589	585	596	610	591
1,703	1,728	1,746	1,801	1,822	1,809

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

OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	General Government		Governmental Activities			Percent Change	Teaching Staff	Pupil/Teacher Ratio
	Expenditures (a)	Cost Per Pupil	Expenses (a)	Cost Per Pupil	Enrollment (b)			
2014	\$ 22,380,421	\$ 13,173	\$ 18,294,718	\$ 10,768	1,699	1.98%	112	15.17
2013	22,185,249	13,316	17,372,942	10,428	1,666	-1.83%	111	15.01
2012	22,536,829	13,280	16,913,725	9,967	1,697	0.71%	108	15.71
2011	16,919,838	10,041	16,493,230	9,788	1,685	-1.06%	106	15.90
2010	15,816,975	9,288	16,327,439	9,587	1,703	-1.45%	109	15.62
2009	16,788,481	9,716	15,825,639	9,158	1,728	-1.03%	108	16.00
2008	14,381,913	8,237	15,380,138	8,809	1,746	-3.05%	101	17.29
2007	15,552,493	8,635	13,929,965	7,735	1,801	-1.15%	101	17.83
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

Source: School District financial records.

Notes:

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

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

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

SUSAN C. BEMENT, TREASURER/CFO

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

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**KEYSTONE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	2014	\$ 25,327	\$ 25,327
(C)(D) National School Lunch Program	10.555	2014	180,776	180,776
(B)(D) National School Lunch Program - Food Donation	10.555	2014	26,794	26,794
Total National School Lunch Program			<u>207,570</u>	<u>207,570</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>232,897</u>	<u>232,897</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Title I Grants to Local Educational Agencies	84.010	2013	32,608	40,210
Title I Grants to Local Educational Agencies	84.010	2014	165,909	146,772
Total Title I Grants to Local Educational Agencies			<u>198,517</u>	<u>186,982</u>
Special Education _Grants to States	84.027	2013	-	18,196
Special Education _Grants to States	84.027	2014	312,385	287,093
Total Special Education _Grants to States			<u>312,385</u>	<u>305,289</u>
Improving Teacher Quality State Grants	84.367	2013	7,129	10,240
Improving Teacher Quality State Grants	84.367	2014	42,054	36,508
Total Improving Teacher Quality State Grants			<u>49,183</u>	<u>46,748</u>
(F) State Fiscal Stabilization Program (SFSF) - Race to the Top, Recovery Act	84.395A	2013	(4,125)	-
(F) State Fiscal Stabilization Program (SFSF) - Race to the Top, Recovery Act	84.395A	2014	22,206	22,203
SFSF - Race to the Top, Recovery Act - Ohio Performance Assessment Pilot Project	84.395A	2014	28,800	28,483
Total ARRA - Race to the Top, Recovery Act			<u>46,881</u>	<u>50,686</u>
Total U.S. Department of Education			<u>606,966</u>	<u>589,705</u>
Total Federal Financial Assistance			<u>\$ 839,863</u>	<u>\$ 822,602</u>

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 2014
- (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 2014, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
SFSF - Race to the Top, Recovery Act	84.395A	2013	\$ 4,125	
SFSF - Race to the Top, Recovery Act	84.395A	2014		\$ 4,125
Totals			<u>\$ 4,125</u>	<u>\$ 4,125</u>



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 Keystone Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Keystone Local School District's basic financial statements and have issued our report thereon dated December 26, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered 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 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 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 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 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 Keystone Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 26, 2014



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited 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 Keystone Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies Keystone Local School District's major federal program.

Management's Responsibility

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 Keystone Local School District's compliance for Keystone Local School District's major federal program 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 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 Keystone Local School District's major program. However, our audit does not provide a legal determination of Keystone Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, Keystone Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

Board of Education
Keystone Local School District

Report on Internal Control Over Compliance

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 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 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 Keystone Local School District, Lorain County, Ohio as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Keystone Local School District's basic financial statements. We issued our unmodified report thereon dated December 26, 2014. We conducted our audit to opine on 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 26, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

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 Program (listed):</i>	Special Education_Grants to States (CFDA #84.027)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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 24, 2015**