



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



February 7, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

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KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY

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**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Passed Through the Ohio Department of Education:</i>		
Special Education - Grants to States	84.027	\$31,457
		<u>345,872</u>
Total Special Education - Grants to States		377,329
Title I Grants to Local Educational Agencies	84.010	18,939
		<u>134,773</u>
Total Title I Grants to Local Educational Agencies		153,712
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality)	84.367	838
		<u>34,476</u>
Total Supporting Effective Instruction State Grant		35,314
Student Support and Academic Enrichment Program	84.424	7,521
Total U.S. Department of Education		<u>573,876</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>Passed Through the Ohio Department of Education:</i>		
Child Nutrition Cluster:		
National School Lunch Program	10.555	176,954
Non-Cash Assistance		34,004
School Breakfast Program	10.553	37,832
Total Child Nutrition Cluster		<u>248,790</u>
Total U.S. Department of Agriculture		<u>248,790</u>
Totals		<u><u>\$822,666</u></u>

The accompanying notes are an integral part of this schedule.

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Keystone Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Keystone Local School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

Title I	84.010	\$	6,065
Title II-A	84.367	\$	1,853
Special Education - IDEA Part B	84.027	\$	24,592



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Keystone Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Keystone Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Keystone Local School District, Lorain County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the 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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our unmodified report thereon dated December 21, 2018. We conducted our audit to opine on the District's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance 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, and other additional procedures 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

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**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, CFDA 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Keystone Local School District

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2018*



Board of Education
Keystone Local School District
Lagrange, Ohio



Michael R. Resar
Treasurer/CFO

**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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KEYSTONE LOCAL SCHOOL DISTRICT

December 21, 2018

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, 2018 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, 2018, were audited by the Ohio Auditor of State whose opinion thereon is included at the beginning of the Financial Section of this report.

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

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

Profile of the Keystone Local School District

The District and its Facilities

The District is located in Lorain County, Ohio southwest of Cleveland. Encompassing 65 square miles, the District is made up of residents from communities within the townships of LaGrange, Penfield, Carlisle, New Russia, Pittsfield and Elyria, as well as the Village of LaGrange and the City of Elyria. The District is located primarily in residential and agricultural communities. The District's facilities are comprised of the new Keystone Elementary School built in 2015, Keystone Middle School built in 2013, and Keystone High School built in 2006. Keystone Elementary School, Keystone Middle School and Keystone High School were constructed under the Ohio School Facilities Expedited Local Partnership Program (ELPP). With the completion of the middle school, the District's share of the OFCC Master Plan was fulfilled, allowing the construction of the new elementary school to be completely financed by the State through the Classroom Facilities Assistance Program (CFAP). The District achieved its vision of offering students a completely new academic campus.

Organizational Structure of the District

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

The Superintendent is the chief administrative officer of the District, responsible for the leadership of both education and support operations. Mr. Franco Gallo has served as Superintendent of the District since January of 2015 and has since resigned effective July 31, 2018. The Treasurer/CFO is the chief financial officer of the District, responsible for maintaining records of all financial matters, issuing warrants in payment of liabilities incurred by the District, acting as custodian of all District funds and investing idle funds as specified by Ohio law. Mr. Michael Resar Sr. has served as Treasurer/CFO of the District since August 1, 2015.

Educational Highlights & Strategy

For the first time in several years, schools in Ohio received an overall component letter grade that averages together six different categories. The letter grades, A-F, are similar to those received by students for their individual classes. The six areas of evaluation include Overall Achievement for all students, Gap Closing for students in sub-groups, Grades K-3 Literacy, Yearly Progress, Prepared for Success for high school students, and Graduation Rate for high school students. When looking at the District's report card, Keystone received an overall component grade of a C. One strength that stood out this year was the graduation rate of the District. The letter grade for this component was an A, with the 97% of Keystone students graduating on time. This outscored the state average by 12%! Two other areas Keystone excelled in were Yearly Progress for student (letter grade B) and Gap Closing for specific subgroups of students (letter grade B). These scores were two of the highest in the county and showed that Keystone teachers are working hard to make sure all students make adequate progress from year to year. Lastly, it should be pointed out that Keystone outscored the state average on 18 of 21 state tests in grades 3-high school.

Economic Condition

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

Long-Term Financial Planning

The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected State and local revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems. The District's current five-year forecast reflects the District-established cash reserve threshold of \$2,500,000.

Long-term projections show total revenue will grow due to the passage of the additional operating funds passed by voters. Local property valuations have begun to increase as a result in increased home sale prices, thereby causing local property tax revenue to increase. 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 numerous times in the last three State budgets. Even though District enrollment has declined in recent years, projected District enrollment over the next five years is expected to remain consistent due to the admission of students through open enrollment.

Major Initiatives

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

Internal Accounting and Budgetary Control

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

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

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

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

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

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

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

Financial Reporting

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

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

Fund financial statements - These statements present information for individual major funds instead of presenting information by fund type. Nonmajor funds are presented in total in one column. Governmental

funds use the modified accrual basis of accounting and include reconciliations to the governmental activities accrual information presented in the government-wide financial statements. Fiduciary funds use the accrual basis of accounting.

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

The Reporting Entity

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

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

Awards

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Keystone Local School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

Acknowledgments

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

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

Respectfully submitted,



Mr. Michael Resar Sr.
Treasurer/CFO

**Keystone Local School District
List of Principal Officials
As of June 30, 2018**

Board of Education

Dennis Walter	President
Patricia Wakefield	Vice-President
Renee Mezera	Member
Carrie O'Boyle	Member
Devin Stang	Member

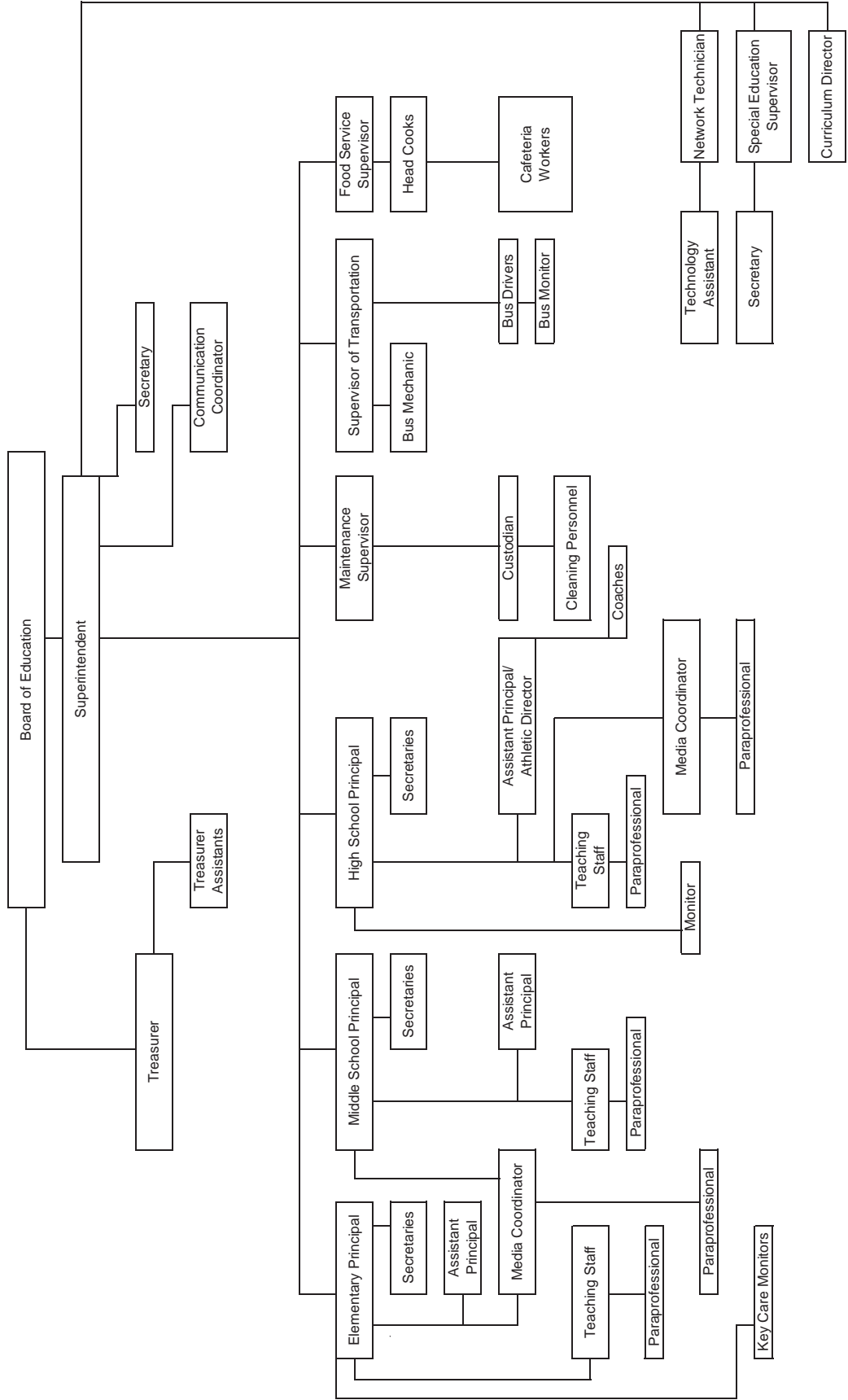
Administration

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

Treasurer/CFO

Michael Resar Sr.

KEYSTONE LOCAL SCHOOL DISTRICT ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Keystone Local School District
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Keystone Local School District, Lorain County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The discussion and analysis of the Keystone Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. 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 2018 are as follows:

- During fiscal year 2018, net position of governmental activities increased \$9,699,178 from \$1,658,008 to \$11,357,186. This represents a 584.99% increase from fiscal year 2017's restated amount.
- General revenues accounted for \$17,844,761 in revenue or 84.75% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,210,874 in revenue or 15.25% of total revenues of \$21,055,635.
- The District had \$11,356,457 in expenses related to governmental activities; only \$3,210,874 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 \$17,844,761 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund and the building fund. The general fund had \$17,457,771 in revenues and \$15,276,095 in expenditures. During fiscal year 2018, the general fund's fund balance increased \$2,181,676 from \$3,485,002 to \$5,666,678.
- The bond retirement fund had \$1,963,483 in revenues and \$1,465,129 in expenditures. During fiscal year 2018, the bond retirement fund's fund balance increased \$498,354 from \$2,847,180 to \$3,345,534.
- The building fund had \$2,204,450 in other financing sources and \$308,553 in expenditures. During fiscal year 2018, the building fund's fund balance increased \$1,895,897 from \$332,951 to a fund balance of \$2,228,848.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the bond retirement fund and the building 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, 2018
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 26. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund, and the building fund. All other governmental funds are considered nonmajor.

Governmental Funds

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

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. 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, 2018
(UNAUDITED)

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability.

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, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current and other assets	\$ 23,641,364	\$ 19,745,123
Capital assets, net	<u>43,233,930</u>	<u>43,771,650</u>
Total assets	<u>66,875,294</u>	<u>63,516,773</u>
<u>Deferred Outflows of Resources</u>	<u>5,977,300</u>	<u>5,153,125</u>
<u>Liabilities</u>		
Current liabilities	2,298,897	1,648,089
Long-term liabilities:		
Due within one year	929,597	717,961
Due in more than one year:		
Net pension liability	17,492,272	24,426,608
Net OPEB liability	3,953,973	4,957,449
Other amounts	<u>27,384,688</u>	<u>25,569,355</u>
Total liabilities	<u>52,059,427</u>	<u>57,319,462</u>
<u>Deferred Inflows of Resources</u>	<u>9,435,981</u>	<u>9,692,428</u>
<u>Net Position</u>		
Net investment in capital assets	19,128,020	19,396,434
Restricted	5,475,194	5,846,570
Unrestricted (deficit)	<u>(13,246,028)</u>	<u>(23,584,996)</u>
Total net position	<u>\$ 11,357,186</u>	<u>\$ 1,658,008</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The net pension liability (NPL) is the second largest liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

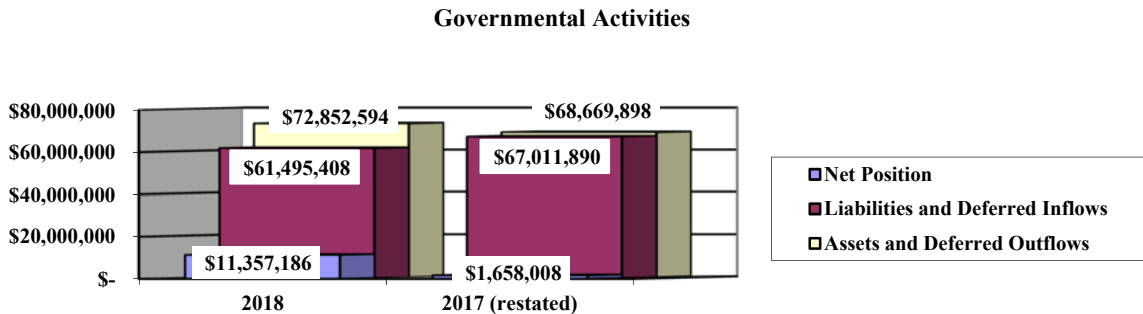
As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$6,580,652 to \$1,658,008.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,357,186.

At fiscal year-end, capital assets represented 64.65% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2018 was \$19,128,020. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$5,475,194, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$13,246,028.

The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The table below shows the changes in net position for governmental activities for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

Change in Net Position

	<u>Governmental Activities 2018</u>	<u>Restated Governmental Activities 2017</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,920,977	\$ 1,775,025	8.22 %
Operating grants and contributions	1,289,897	1,468,475	(12.16) %
Capital grants and contributions	-	43,479	(100.00) %
General revenues:			
Property taxes	10,070,323	8,415,627	19.66 %
Grants and entitlements not restricted	7,398,159	7,317,187	1.11 %
Investment earnings	53,796	30,652	75.51 %
Miscellaneous	<u>322,483</u>	<u>302,616</u>	6.57 %
Total revenues	<u>21,055,635</u>	<u>19,353,061</u>	8.80 %

-Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Change in Net Position (Continued)		<u>Percentage Change</u>
	Governmental	Restated Governmental	
	Activities <u>2018</u>	Activities <u>2017</u>	
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 4,025,466	\$ 8,308,039	(51.55) %
Special	1,291,446	2,232,820	(42.16) %
Vocational	9,178	61,791	(85.15) %
Other	9,580	40,307	(76.23) %
Support services:			
Pupil	407,000	869,824	(53.21) %
Instructional staff	489,301	543,362	(9.95) %
Board of education	38,496	36,830	4.52 %
Administration	698,398	1,408,658	(50.42) %
Fiscal	360,634	536,526	(32.78) %
Operations and maintenance	1,320,970	1,696,599	(22.14) %
Pupil transportation	545,713	979,817	(44.30) %
Central	195,057	322,421	(39.50) %
Operation of non-instructional services:			
Food service operations	422,909	552,148	(23.41) %
Latchkey operations	65,296	81,953	(20.33) %
Other non-instructional services	-	130,152	(100.00) %
Extracurricular activities	293,905	612,758	(52.04) %
Interest and fiscal charges	<u>1,183,108</u>	<u>1,146,379</u>	3.20 %
Total expenses	<u>11,356,457</u>	<u>19,560,384</u>	(41.94) %
Change in net position	9,699,178	(207,323)	
Net position at beginning of year (restated)	<u>1,658,008</u>	N/A	
Net position at end of year	<u>\$ 11,357,186</u>	<u>\$ 1,658,008</u>	584.99 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$34,805 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$598,028. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 11,356,457
Negative OPEB expense under GASB 75	598,028
2018 contractually required contributions	<u>44,346</u>
Adjusted 2018 program expenses	11,998,831
Total 2017 program expenses under GASB 45	<u>19,560,384</u>
Decrease in program expenses not related to OPEB	<u>\$ (7,561,553)</u>

During fiscal year 2018, revenues increased \$1,702,574 or 8.80%. This increase is primarily due to a \$1,654,696 increase in property taxes during the fiscal year.

Expenses of the governmental activities decreased \$8,203,927 or 41.94%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$6,108,302) in pension expense and (\$598,028) in OPEB expense mainly due to these benefit changes.

Net position of the District's governmental activities increased \$9,699,178. Total governmental expenses of \$11,356,457 were offset by program revenues of \$3,210,874 and general revenues of \$17,844,761. Program revenues supported 28.27% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 82.96% of total governmental revenues.

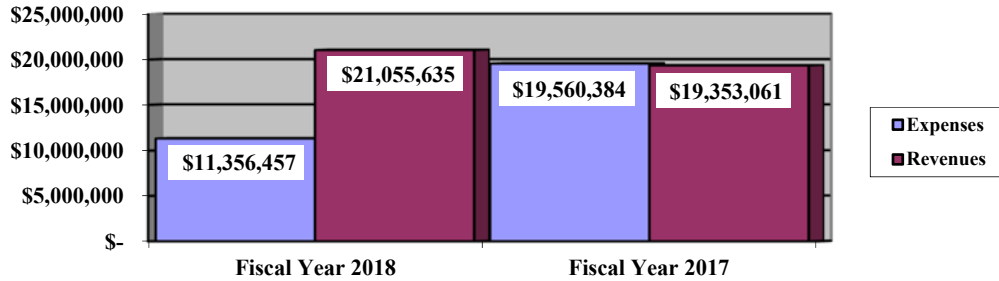
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,335,670 or 46.98% of total governmental expenses for fiscal year 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2018 and 2017.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 4,025,466	\$ 2,658,792	\$ 8,308,039	\$ 7,142,568
Special	1,291,446	363,582	2,232,820	1,182,616
Vocational	9,178	(435)	61,791	52,249
Other	9,580	9,580	40,307	36,240
Support services:				
Pupil	407,000	370,614	869,824	764,507
Instructional staff	489,301	433,784	543,362	484,043
Board of education	38,496	38,496	36,830	36,830
Administration	698,398	698,398	1,408,658	1,408,658
Fiscal	360,634	360,634	536,526	536,526
Operations and maintenance	1,320,970	1,315,860	1,696,599	1,692,089
Pupil transportation	545,713	505,241	979,817	890,995
Central	195,057	189,657	322,421	317,021
Operations of non-instructional services:				
Food service operations	422,909	(110,369)	552,148	13,906
Latchkey operations	65,296	(1,318)	81,953	10,209
Other non-instructional services	-	(81,060)	130,152	27,729
Extracurricular activities	293,905	211,019	612,758	530,840
Interest and fiscal charges	<u>1,183,108</u>	<u>1,183,108</u>	<u>1,146,379</u>	<u>1,146,379</u>
Total expenses	\$ 11,356,457	\$ 8,145,583	\$ 19,560,384	\$ 16,273,405

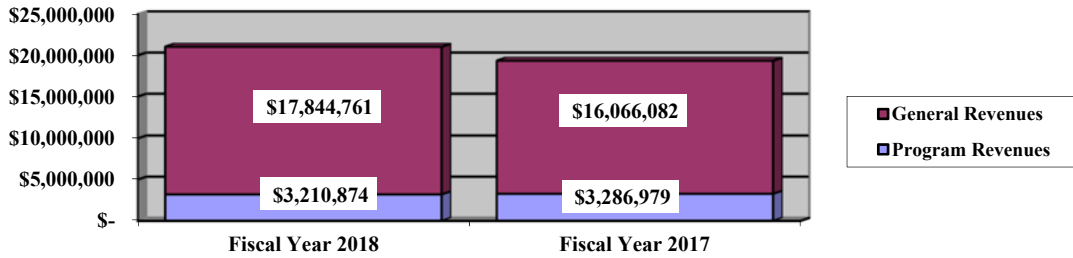
**KEYSTONE LOCAL SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The dependence upon taxes and other general revenues for governmental activities is apparent, as 56.45% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.73%. The District's taxpayers and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$14,064,087, which is \$4,291,915 greater than last fiscal year's total balance of \$9,772,172. The table below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>
General	\$ 5,666,678	\$ 3,485,002	\$ 2,181,676
Bond retirement	3,345,534	2,847,180	498,354
Classroom facilities	-	2,053,001	(2,053,001)
Building	2,228,848	-	2,228,848
Nonmajor governmental	<u>2,823,027</u>	<u>1,386,989</u>	<u>1,436,038</u>
Total	<u>\$ 14,064,087</u>	<u>\$ 9,772,172</u>	<u>\$ 4,291,915</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

General Fund

The District's general fund balance increased \$2,181,676.

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 8,241,922	\$ 6,932,569	\$ 1,309,353	18.89 %
Tuition	1,397,494	1,272,717	124,777	9.80 %
Earnings on investments	60,299	29,813	30,486	102.26 %
Change in fair value of investments	(10,815)	(14,086)	3,271	23.22 %
Intergovernmental	7,283,571	7,256,635	26,936	0.37 %
Other revenues	<u>485,300</u>	<u>464,905</u>	<u>20,395</u>	4.39 %
Total	<u>\$ 17,457,771</u>	<u>\$ 15,942,553</u>	<u>\$ 1,515,218</u>	9.50 %
<u>Expenditures</u>				
Instruction	\$ 8,872,000	\$ 8,697,757	\$ 174,243	2.00 %
Support services	5,796,921	5,457,892	339,029	6.21 %
Operation of non-instructional services	86,059	81,953	4,106	5.01 %
Extracurricular activities	392,398	402,946	(10,548)	(2.62) %
Debt service	<u>128,717</u>	<u>91,604</u>	<u>37,113</u>	40.51 %
Total	<u>\$ 15,276,095</u>	<u>\$ 14,732,152</u>	<u>\$ 543,943</u>	3.69 %

Overall revenues of the general fund increased \$1,515,218 or 9.5% during fiscal year 2018.

Tax revenue in the general fund increased during the current year due the District passing an additional levy in May of 2017. Tuition revenues increased due to the number of open enrollment students coming from other districts during the fiscal year.

Overall expenditures of the general fund increased \$543,943 or 3.69% during fiscal year 2018.

The District's cost containment strategies helped keep the general fund expenditures relatively stable compared to prior year. The increases in instruction and support services expenditures were due to increased costs for wages and benefits.

Bond Retirement Fund

The bond retirement fund had \$1,963,483 in revenues and \$1,465,129 in expenditures. During fiscal year 2018, the bond retirement fund's fund balance increased \$498,354 from \$2,847,180 to \$3,345,534. The increase in fund balance is due to the receipt of property taxes greater than the fiscal year 2018 debt service requirements. The bond retirement fund is funded by property taxes and homestead and rollback revenue. In addition, the bond retirement fund receives investment earnings. The expenditures of the fund are principal and interest payments on the District's general obligation debt along with fiscal fees related to the property tax collection.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Building Fund

The building fund had \$2,204,450 in other financing sources and \$308,553 in expenditures. During fiscal year 2018, the building fund's fund balance increased \$1,895,897 from \$332,951 to a fund balance of \$2,228,848.

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 \$16,421,012, which was more than the original budgeted revenues and other financing sources estimate of \$15,988,744. Actual revenues and other financing sources for fiscal year 2018 were \$16,429,344. This represents a \$8,332 increase from final budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$15,850,744, which was \$70,000 more than the original budgeted expenditures of \$15,780,744. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$15,095,785, which was \$754,959 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$43,233,930 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

The following table shows June 30, 2018 balances compared to June 30, 2017.

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 483,652	\$ 483,652
Construction in progress	178,359	-
Land improvements	1,842,578	1,788,743
Buildings and improvements	39,847,414	40,720,263
Furniture and equipment	400,780	530,173
Vehicles	481,147	248,819
Total	<u>\$ 43,233,930</u>	<u>\$ 43,771,650</u>

The overall decrease in capital assets of \$537,720 is due to depreciation expense of \$1,262,504 exceeding capital asset additions of \$742,076 during fiscal year 2018. The District also had \$17,292 in disposals of assets, net of accumulated depreciation.

See Note 9 to the basic financial statements for detail on the District's capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Debt Administration

At June 30, 2018, the District had \$23,662,287 in general obligation bonds, capital appreciation bonds and accreted interest obligations outstanding. The District also had \$401,660 and \$2,624,450 in capital lease obligations and lease-purchase agreement obligations outstanding, respectively. Of the total debt obligations outstanding at June 30, 2018, \$807,139 is due within one year and \$25,881,258 is due in more than one year.

The following table summarizes the bonds, accreted interest, capital lease obligations and lease-purchase agreement obligations outstanding at June 30, 2018 and June 30, 2017.

Outstanding Debt, at Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation bonds	\$ 22,120,000	\$ 22,630,000
Capital appreciation bonds	568,785	568,785
Accreted interest	973,502	719,082
Capital lease obligations	401,660	249,461
Lease-purchase agreements	<u>2,624,450</u>	<u>481,000</u>
Total	<u>\$ 26,688,397</u>	<u>\$ 24,648,328</u>

See Note 12 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

Keystone Local School District is tasked with providing a high standard of education, while remaining financial stable. The District's long-term financial outlook is projected to continue to improve due to the 2015, 7.95 mill operating levy passage. The District is very appreciative of the community's support and is dedicated to maintaining a high standard of education for our students while demonstrating fiscally responsibility.

The District relies heavily upon property taxes and State funding as the main sources of revenue. The District has recognized a decrease in basic state aid of \$18,994 in fiscal year 2018, and will recognize the same decrease in fiscal year 2019. There are no increases in state aid projected beyond fiscal year 2019 because the District is on the Transitional Aid Guarantee. The future of the Transitional Aid Guarantee, beyond fiscal year 2019, is unknown at this time.

During the current fiscal year, General Fund revenue exceeded expenses by \$2,181,676. This trend is expected to continue in fiscal year 2019. Further, the District continues to searches for additional areas to save money and become more efficient with the available resources.

The District has been well supported by its community. In calendar year 2003, the community passed a \$17,500,000 bond issue to build a new high school. In calendar year 2010, the community again supported the District by passing a 2.19 "No New Tax" bond issue to finance the construction of its new middle school. The community passed a 7.95 mill continuous levy in May of 2015. The District has refunded over \$ 13,000,000 in bonds dating back to 2012, saving taxpayers an estimated \$ 3,000,000.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Michael Resar Sr., Treasurer/CFO, Keystone Local School District, 531 Opportunity Way, LaGrange, Ohio 44050, or e-mail at Michael.Resar@Keystone.k12.oh.us.

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

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 12,395,525
Cash with fiscal agent	35,620
Investments with fiscal agent.	1,925,040
Receivables:	
Property taxes	9,139,245
Accounts.	49,143
Accrued interest	11,589
Intergovernmental	39,747
Prepayments	37,492
Materials and supplies inventory.	5,180
Inventory held for resale.	2,783
Capital assets:	
Nondepreciable capital assets	662,011
Depreciable capital assets, net.	42,571,919
Capital assets, net	43,233,930
Total assets.	66,875,294
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	686,457
Pension	5,104,511
OPEB	186,332
Total deferred outflows of resources	5,977,300
Liabilities:	
Accounts payable.	121,989
Contracts payable.	303,510
Accrued wages and benefits payable	1,471,320
Intergovernmental payable	101,952
Pension and postemployment obligation payable.	213,512
Accrued interest payable	81,614
Matured bonds payable.	5,000
Long-term liabilities:	
Due within one year.	929,597
Due in more than one year:	
Net pension liability.	17,492,272
Other amounts due in more than one year	27,384,688
Net OPEB liability.	3,953,973
Total liabilities	52,059,427
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,737,360
Pension.	2,185,992
OPEB.	512,629
Total deferred inflows of resources	9,435,981
Net position:	
Net investment in capital assets	19,128,020
Restricted for:	
Capital projects	2,506,456
Classroom facilities maintenance	245,012
Debt service.	2,375,242
Locally funded programs	24,049
State funded programs.	55,164
Federally funded programs	2,761
Student activities	14,164
Other purposes	252,346
Unrestricted (deficit)	(13,246,028)
Total net position.	\$ 11,357,186

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, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,025,466	\$ 1,331,202	\$ 35,472	\$ (2,658,792)
Special	1,291,446	140,998	786,866	(363,582)
Vocational	9,178	-	9,613	435
Other	9,580	-	-	(9,580)
Support services:				
Pupil.	407,000	16,387	19,999	(370,614)
Instructional staff	489,301	-	55,517	(433,784)
Board of education	38,496	-	-	(38,496)
Administration.	698,398	-	-	(698,398)
Fiscal.	360,634	-	-	(360,634)
Operations and maintenance	1,320,970	5,110	-	(1,315,860)
Pupil transportation.	545,713	-	40,472	(505,241)
Central	195,057	-	5,400	(189,657)
Operation of non-instructional services:				
Food service operations	422,909	279,029	254,249	110,369
Latchkey operations.	65,296	66,614	-	1,318
Other non-instructional services	-	-	81,060	81,060
Extracurricular activities.	293,905	81,637	1,249	(211,019)
Interest and fiscal charges	1,183,108	-	-	(1,183,108)
Total governmental activities	\$ 11,356,457	\$ 1,920,977	\$ 1,289,897	(8,145,583)

General revenues:

Property taxes levied for:	
General purposes	8,307,763
Debt service.	1,498,320
Capital outlay.	132,109
Classroom facilities maintenance.	132,131
Grants and entitlements not restricted	
to specific programs	7,398,159
Investment earnings	53,796
Miscellaneous	322,483
Total general revenues	17,844,761
Change in net position	9,699,178
Net position at beginning of year (restated)	1,658,008
Net position at end of year.	\$ 11,357,186

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Bond Retirement	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments.	\$ 5,881,141	\$ 1,094,554	\$ 2,527,401	\$ 2,892,429	\$ 12,395,525
Cash with fiscal agent.	-	35,620	-	-	35,620
Investments with fiscal agent.	-	1,925,040	-	-	1,925,040
Receivables:					
Property taxes.	7,553,021	1,342,226	-	243,998	9,139,245
Accounts	49,143	-	-	-	49,143
Accrued interest	5,239	6,350	-	-	11,589
Interfund loans	26,593	-	-	-	26,593
Intergovernmental.	1,946	-	-	37,801	39,747
Prepayments.	37,492	-	-	-	37,492
Materials and supplies inventory.	-	-	-	5,180	5,180
Inventory held for resale.	-	-	-	2,783	2,783
Total assets	<u>\$ 13,554,575</u>	<u>\$ 4,403,790</u>	<u>\$ 2,527,401</u>	<u>\$ 3,182,191</u>	<u>\$ 23,667,957</u>
Liabilities:					
Accounts payable	\$ 113,715	\$ -	\$ -	\$ 8,274	\$ 121,989
Contracts payable.	-	-	298,553	4,957	303,510
Accrued wages and benefits payable	1,399,160	-	-	72,160	1,471,320
Compensated absences payable	58,748	-	-	-	58,748
Intergovernmental payable	100,739	-	-	1,213	101,952
Pension and postemployment obligation payable.	200,660	-	-	12,852	213,512
Interfund loans payable.	-	-	-	26,593	26,593
Matured bonds payable.	-	5,000	-	-	5,000
Total liabilities.	<u>1,873,022</u>	<u>5,000</u>	<u>298,553</u>	<u>126,049</u>	<u>2,302,624</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	5,588,997	968,432	-	179,931	6,737,360
Delinquent property tax revenue not available.	422,063	79,989	-	15,383	517,435
Intergovernmental revenue not available.	-	-	-	37,801	37,801
Accrued interest not available.	3,815	4,835	-	-	8,650
Total deferred inflows of resources	<u>6,014,875</u>	<u>1,053,256</u>	<u>-</u>	<u>233,115</u>	<u>7,301,246</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	5,180	5,180
Prepays.	37,492	-	-	-	37,492
Restricted:					
Debt service	-	3,345,534	-	-	3,345,534
Capital improvements	-	-	2,228,848	2,288,316	4,517,164
Classroom facilities maintenance	-	-	-	245,012	245,012
Food service operations	-	-	-	246,234	246,234
Non-public schools	-	-	-	54,571	54,571
Other purposes.	-	-	-	29,607	29,607
Extracurricular activities.	-	-	-	14,164	14,164
Committed:					
Capital improvements	-	-	-	75	75
Student and staff support	15,787	-	-	-	15,787
Student instruction	156,166	-	-	-	156,166
Assigned:					
Student and staff support.	130,563	-	-	-	130,563
Extracurricular activities	8,906	-	-	-	8,906
Health and wellness.	33,126	-	-	-	33,126
Child care programs	25,424	-	-	-	25,424
Unassigned (deficit)	5,259,214	-	-	(60,132)	5,199,082
Total fund balances	<u>5,666,678</u>	<u>3,345,534</u>	<u>2,228,848</u>	<u>2,823,027</u>	<u>14,064,087</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 13,554,575</u>	<u>\$ 4,403,790</u>	<u>\$ 2,527,401</u>	<u>\$ 3,182,191</u>	<u>\$ 23,667,957</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, 2018

Total governmental fund balances		\$ 14,064,087
<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.		43,233,930
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 517,435	
Accrued interest receivable	8,650	
Intergovernmental receivable	37,801	
Total		563,886
Unamortized premiums on bonds issued are not recognized in the funds.		(1,103,563)
Unamortized amounts on refundings are not recognized in the funds.		686,457
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(81,614)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - Pension	5,104,511	
Deferred Inflows - Pension	(2,185,992)	
Net pension liability	(17,492,272)	
Total		(14,573,753)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - OPEB	186,332	
Deferred Inflows -OPEB	(512,629)	
Net OPEB liability	(3,953,973)	
Total		(4,280,270)
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	(23,662,287)	
Capital lease obligations	(401,660)	
Lease-purchase agreements	(2,624,450)	
Compensated absences	(463,577)	
Total		(27,151,974)
Net position of governmental activities		\$ 11,357,186

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, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 8,241,922	\$ 1,488,244	\$ -	\$ 261,449	\$ 9,991,615
Tuition	1,397,494	-	-	-	1,397,494
Earnings on investments	60,299	44,966	-	12,021	117,286
Change in fair value of investments.	(10,815)	(52,643)	-	-	(63,458)
Charges for services	-	-	-	279,029	279,029
Extracurricular.	16,387	-	-	81,637	98,024
Classroom materials and fees	73,671	-	-	-	73,671
Rental income	5,110	-	-	-	5,110
Contributions and donations	380	-	-	40,866	41,246
Contract services.	1,035	-	-	-	1,035
Other local revenues	388,717	-	-	5,339	394,056
Intergovernmental - intermediate	-	-	-	1,825	1,825
Intergovernmental - state	7,235,599	196,021	-	117,397	7,549,017
Intergovernmental - federal	47,972	286,895	-	781,939	1,116,806
Total revenues	<u>17,457,771</u>	<u>1,963,483</u>	<u>-</u>	<u>1,581,502</u>	<u>21,002,756</u>
Expenditures:					
Current:					
Instruction:					
Regular.	7,084,173	-	-	38,830	7,123,003
Special	1,714,328	-	-	489,609	2,203,937
Vocational	33,840	-	-	-	33,840
Other	39,659	-	-	-	39,659
Support services:					
Pupil	786,368	-	-	19,603	805,971
Instructional staff	677,499	-	-	57,905	735,404
Board of education	49,281	-	-	-	49,281
Administration	1,371,369	-	-	-	1,371,369
Fiscal	489,603	25,779	-	4,372	519,754
Operations and maintenance	1,373,573	-	-	106,318	1,479,891
Pupil transportation	857,709	-	-	580	858,289
Central	191,519	-	-	5,400	196,919
Operation of non-instructional services:					
Other non-instructional services.	-	-	-	31,961	31,961
Latchkey operations.	86,059	-	-	-	86,059
Food service operations.	-	-	-	579,547	579,547
Extracurricular activities	392,398	-	-	76,285	468,683
Facilities acquisition and construction.	-	-	308,553	328,897	637,450
Capital outlay	-	-	-	313,443	313,443
Debt service:					
Principal retirement.	116,244	509,264	-	106,736	732,244
Interest and fiscal charges	12,473	930,086	-	19,471	962,030
Total expenditures	<u>15,276,095</u>	<u>1,465,129</u>	<u>308,553</u>	<u>2,178,957</u>	<u>19,228,734</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,181,676</u>	<u>498,354</u>	<u>(308,553)</u>	<u>(597,455)</u>	<u>1,774,022</u>
Other financing sources:					
Leasing transactions.	-	-	2,204,450	313,443	2,517,893
Total other financing sources.	<u>-</u>	<u>-</u>	<u>2,204,450</u>	<u>313,443</u>	<u>2,517,893</u>
Net change in fund balances	2,181,676	498,354	1,895,897	(284,012)	4,291,915
Fund balances at beginning of year	<u>3,485,002</u>	<u>2,847,180</u>	<u>332,951</u>	<u>3,107,039</u>	<u>9,772,172</u>
Fund balances at end of year	<u>\$ 5,666,678</u>	<u>\$ 3,345,534</u>	<u>\$ 2,228,848</u>	<u>\$ 2,823,027</u>	<u>\$ 14,064,087</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	4,291,915
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 742,076	
Current year depreciation	<u>(1,262,504)</u>	
Total		(520,428)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(17,292)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	78,708	
Earnings on investments	1,795	
Intergovernmental	<u>(27,624)</u>	
Total		52,879
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	510,000	
Lease purchase agreements	61,000	
Capital leases	<u>161,244</u>	
Total		732,244
Inception of lease purchase agreements are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(2,517,893)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,179,261
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		6,108,302
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		44,346
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as pension expense in the statement of activities.		
		598,028
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,478	
Accreted interest on capital appreciation bonds	(254,420)	
Amortization of bond premiums	93,613	
Amortization of deferred charges	<u>(64,749)</u>	
Total		(221,078)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(31,106)</u>
Change in net position of governmental activities	\$	<u>9,699,178</u>

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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 7,105,621	\$ 7,237,656	\$ 7,237,657	\$ 1
Tuition	1,233,426	1,394,484	1,394,484	-
Earnings on investments	27,367	54,736	61,142	6,406
Classroom materials and fees	66,945	72,156	72,156	-
Rental income	4,510	4,860	5,110	250
Contributions and donations	(239)	380	380	-
Contract services.	4,090	700	700	-
Other local revenues	224,091	191,452	193,127	1,675
Intergovernmental - state	7,173,336	7,292,868	7,292,868	-
Intergovernmental - federal	49,746	36,758	36,758	-
Total revenues	<u>15,888,893</u>	<u>16,286,050</u>	<u>16,294,382</u>	<u>8,332</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,184,258	7,022,568	6,952,511	70,057
Special.	1,940,135	1,959,428	1,853,056	106,372
Vocational.	59,787	44,615	36,758	7,857
Other.	38,646	54,086	42,295	11,791
Support services:				
Pupil.	702,563	724,512	706,683	17,829
Instructional staff	479,053	712,906	674,999	37,907
Board of education	59,063	72,145	50,881	21,264
Administration.	1,531,967	1,492,208	1,429,592	62,616
Fiscal	599,444	611,056	516,664	94,392
Operations and maintenance.	1,424,536	1,473,405	1,373,942	99,463
Pupil transportation	844,517	922,362	847,982	74,380
Central.	327,604	303,694	164,591	139,103
Extracurricular activities.	409,171	413,791	401,863	11,928
Total expenditures	<u>15,600,744</u>	<u>15,806,776</u>	<u>15,051,817</u>	<u>754,959</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>288,149</u>	<u>479,274</u>	<u>1,242,565</u>	<u>763,291</u>
Other financing sources (uses):				
Refund of prior year's expenditures	18,206	4,506	4,506	-
Transfers (out).	(100,000)	(17,375)	(17,375)	-
Advances in.	80,000	80,000	80,000	-
Advances (out)	(80,000)	(26,593)	(26,593)	-
Sale of capital assets	1,645	50,456	50,456	-
Total other financing sources (uses)	<u>(80,149)</u>	<u>90,994</u>	<u>90,994</u>	<u>-</u>
Net change in fund balance	208,000	570,268	1,333,559	763,291
Fund balance at beginning of year	3,849,935	3,849,935	3,849,935	-
Prior year encumbrances appropriated	201,928	201,928	201,928	-
Fund balance at end of year	<u>\$ 4,259,863</u>	<u>\$ 4,622,131</u>	<u>\$ 5,385,422</u>	<u>\$ 763,291</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 49,806
Receivables:	
Accounts	10
Total assets.	\$ 49,816
Liabilities:	
Accounts payable.	\$ 13
Due to students.	49,803
Total liabilities	\$ 49,816

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, 2018

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 93 non-certified and 98 certified personnel to provide services to approximately 1,553 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, 2018

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

JOINTLY GOVERNED ORGANIZATIONS

Lorain County Joint Vocational School District (JVS)

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

Connect

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

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to the LERC on a per-pupil or actual usage charge. The LERC Assembly consists of a Superintendent or designated representative from each participating school district and the fiscal agent. The LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2018, the District paid \$1,446,682 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 2018, the District paid \$35,299 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, 2018

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.

Building fund - The building fund is used to account for receipts and expenditures related to all special bond funds in the District. Expenditures recorded within the building fund represent the costs of acquiring capital facilities including real property.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 non-fiduciary 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, 2018

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

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 14 and 15 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources includes a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, accrued interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

Tax Budget:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Estimated Resources:

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

Appropriations:

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

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

F. Cash and Investments

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

During fiscal year 2018, investments were limited to federal agency securities, negotiable certificates of deposit, commercial paper, U.S. Government money market funds, and U.S. Treasury Notes (held by a fiscal agent). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$60,299, which includes \$18,609 assigned from other District funds.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

G. Inventory

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at acquisition value. 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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

L. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Treasurer is permitted by Board resolution to assign fund balance related to all District contracts that are not in excess of \$12,000.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

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

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

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds' face value and the amount reported on the statement of net position is presented in Note 12.

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

T. Fair Market Value

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information which is presented on pages 98-103.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 6,580,652
Deferred outflows - payments subsequent to measurement date	34,805
Net OPEB liability	(4,957,449)
Restated net position at July 1, 2017	\$ 1,658,008

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 22,249
Title I	37,401
Improving Teacher Quality	70
Misc. Federal Funds	412

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Fiscal Agents

At June 30, 2018, the District had \$5,000 held by a fiscal agent in a bond and coupon account related to matured bond and interest, and \$30,620 held by a fiscal agent in a cash account related to the District's sinking fund deposits (See Note 12.C). These amounts are not included in "deposits with financial institutions" below.

B. Investment with Fiscal Agent

At June 30, 2018, the District had \$211,869 in federal agency securities and \$1,713,171 in U.S. Treasury Notes held by a fiscal agent related to the District's sinking fund deposits (See Note 12.C). These amounts are reported as "investment with fiscal agent" on the basic financial statements.

C. Cash on Hand

At June 30, 2018, 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, 2018, the carrying amount of all District deposits was \$10,718,276. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$6,829,921 of the District's bank balance of \$10,752,446 was exposed to custodial risk as discussed below, while \$3,922,525 was covered by the FDIC.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2018, the District's financial institutions did not participate in the OPCS. Although 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.

E. Investments

As of June 30, 2018, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 146,721	\$ -	\$ -	\$ -	\$ 146,721	\$ -
FHLMC	692,414	-	405,742	-	142,058	144,614
FNMA	98,141	-	-	-	98,141	-
FFCB	99,792	-	-	-	-	99,792
Negotiable CDs	239,203	-	-	-	-	239,203
Commercial Paper	440,057	440,057	-	-	-	-
US government money market	10,627	10,627	-	-	-	-
Total	<u>\$ 1,726,955</u>	<u>\$ 450,684</u>	<u>\$ 405,742</u>	<u>\$ -</u>	<u>\$ 386,920</u>	<u>\$ 483,609</u>

The weighted average maturity of investments is 1.49 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities, US Treasury Notes, commercial paper, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal agency securities (some of which are held by a fiscal agent) and U.S. Treasury Notes held by a fiscal agent were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's US government money market and negotiable certificates of deposit are not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S Treasury securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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, 2018:

<u>Measurement/ Investment type</u>	<u>Fair Value</u>	<u>Percentage Total %</u>
FHLB	\$ 146,721	8.5
FHLMC	692,414	40.09
FNMA	98,141	5.68
FFCB	99,792	5.78
Negotiable CDs	239,203	13.85
Commercial Paper	440,057	25.48
US government money market	<u>10,627</u>	<u>0.62</u>
Total	<u>\$ 1,726,955</u>	<u>100%</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, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,718,276
Investments	1,726,955
Cash on hand	100
Cash with fiscal agents	35,620
Investment with fiscal agent	<u>1,925,040</u>
Total	<u>\$ 14,405,991</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 14,356,185
Agency funds	<u>49,806</u>
 Total	 <u>\$ 14,405,991</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 26,593

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$1,541,961 in the general fund, \$293,805 in the bond retirement fund and \$48,683 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2017 was \$537,697 in the general fund, \$105,983 in the bond retirement fund and \$16,803 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 242,204,300	94.88	\$ 244,326,240	94.56
Public utility personal	<u>13,072,100</u>	<u>5.12</u>	<u>13,772,600</u>	<u>5.34</u>
Total	<u>\$ 255,276,400</u>	<u>100.00%</u>	<u>\$ 258,098,840</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 58.39		\$ 58.20	

NOTE 7 - TAXES ABATED BY OTHER GOVERNMENTS

The Village of Lagrange provides tax abatements through Community Reinvestment Areas (CRAs).

Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The CRA agreements entered into by the Village of Lagrange affect the property tax receipts collected and distributed to the District. There was one CRA agreement that affected the District. Under these agreements, the District property taxes were reduced by \$122,209.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 9,139,245
Accounts	49,143
Intergovernmental	39,747
Accrued interest	<u>11,589</u>
Total receivables	<u>\$ 9,239,724</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 483,652	\$ -	\$ -	\$ 483,652
Construction in progress	<u>-</u>	<u>178,359</u>	<u>-</u>	<u>178,359</u>
Total capital assets, not being depreciated	<u>483,652</u>	<u>178,359</u>	<u>-</u>	<u>662,011</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,292,036	222,773	-	3,514,809
Buildings and improvements	47,401,655	-	-	47,401,655
Furniture and equipment	1,202,375	17,101	-	1,219,476
Vehicles	<u>1,318,335</u>	<u>323,843</u>	<u>(353,749)</u>	<u>1,288,429</u>
Total capital assets, being depreciated	<u>53,214,401</u>	<u>563,717</u>	<u>(353,749)</u>	<u>53,424,369</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,503,293)	(168,938)	-	(1,672,231)
Buildings and improvements	(6,681,392)	(872,849)	-	(7,554,241)
Furniture and equipment	(672,202)	(146,494)	-	(818,696)
Vehicles	<u>(1,069,516)</u>	<u>(74,223)</u>	<u>336,457</u>	<u>(807,282)</u>
Total accumulated depreciation	<u>(9,926,403)</u>	<u>(1,262,504)</u>	<u>336,457</u>	<u>(10,852,450)</u>
Governmental activities capital assets, net	<u>\$ 43,771,650</u>	<u>\$ (520,428)</u>	<u>\$ (17,292)</u>	<u>\$ 43,233,930</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 803,899
Special	49,900
Vocational	780
Support services:	
Pupil	18,567
Instructional staff	16,969
Board of education	1,132
Administration	45,225
Fiscal	14,689
Operations and maintenance	99,215
Pupil transportation	92,412
Central	16,776
Operation of non-instructional services:	
Food service operations	18,830
Other non-instructional services	2,691
Extracurricular activities	81,419
Total depreciation expense	<u>\$ 1,262,504</u>

NOTE 10 - LEASE-PURCHASE AGREEMENTS

A. Columbus Regional Airport Authority

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 \$61,000 during fiscal year 2018.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LEASE-PURCHASE AGREEMENTS (Continued)

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, 2018:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2019	\$ 79,649
2020	79,886
2021	79,993
2022	78,992
2023	78,885
2024	<u>78,650</u>
Total minimum lease payments	476,055
Less: amount representing interest	<u>(56,055)</u>
Total	<u>\$ 420,000</u>

B. Keystone High School

During the fiscal year, the District entered into a lease-purchase agreement with The Huntington National Bank. 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 is used to fund the District's capital improvement project, which is to construct, improve, furnish and equip Keystone High School. Capital assets acquired by the lease-purchase have been capitalized in the amount of \$2,204,450.

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, 2018:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2019	\$ 206,066
2020	206,066
2021	206,066
2022	206,067
2023	206,066
2024-2028	1,030,330
2029-2033	<u>927,298</u>
Total minimum lease payments	2,987,959
Less: amount representing interest	<u>(783,509)</u>
Total	<u><u>2,204,450</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Copier Equipment

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 \$396,598. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 for this equipment was \$198,300, leaving a current book value of \$198,298. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2018 totaled \$79,131 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, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 91,604
2020	<u>91,604</u>
Total minimum lease payments	183,208
Less: amount representing interest	<u>(12,878)</u>
Total	<u>\$ 170,330</u>

B. OSBA Bus

During the fiscal year, the District entered into a capitalized lease for buses. 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 buses have been capitalized in the amount of \$323,843. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 for this equipment was \$29,687, leaving a current book value of \$294,156. A corresponding liability is recorded in the government-wide statements. Principal retirement in fiscal year 2018 totaled \$82,113, which was paid out of the general fund and the permanent improvement fund.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

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, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 82,114
2020	82,113
2021	<u>82,113</u>
Total minimum lease payments	246,340
Less: amount representing interest	<u>(15,010)</u>
Total	<u>\$ 231,330</u>

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS

A. During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds - series 2010					
Current interest bonds	\$ 5,295,000	\$ -	\$ -	\$ 5,295,000	\$ -
Capital appreciation bonds	399,987	-	-	399,987	-
Accreted interest	276,921	57,425	-	334,346	-
Refunding bonds - series 2012					
Current interest bonds	8,190,000	-	(60,000)	8,130,000	65,000
Capital appreciation bonds	94,726	-	-	94,726	-
Accreted interest	220,191	85,751	-	305,942	-
Refunding bonds - series 2013					
Current interest bonds	3,385,000	-	(435,000)	2,950,000	-
Capital appreciation bonds	69,094	-	-	69,094	69,094
Accreted interest	217,615	109,067	-	326,682	326,682
Refunding bonds - series 2014					
Current interest bonds	5,760,000	-	(15,000)	5,745,000	15,000
Capital appreciation bonds	4,978	-	-	4,978	-
Accreted interest	4,355	2,177	-	6,532	-
Total general obligation bonds	<u>23,917,867</u>	<u>254,420</u>	<u>(510,000)</u>	<u>23,662,287</u>	<u>475,776</u>
Lease-purchase agreement	481,000	-	(61,000)	420,000	63,000
KHS Lease	-	2,204,450	-	2,204,450	110,588
Capital lease obligation	249,461	-	(79,131)	170,330	83,088
OSBA Bus Lease	-	313,443	(82,113)	231,330	74,687
Net pension liability	24,426,608	-	(6,934,336)	17,492,272	-
Net OPEB liability	4,957,449	-	(1,003,476)	3,953,973	-
Compensated absences	441,812	148,343	(67,830)	522,325	122,458
Total governmental activities long-term liabilities	<u>\$ 54,474,197</u>	<u>\$ 2,920,656</u>	<u>\$ (8,737,886)</u>	48,656,967	<u>\$ 929,597</u>
Unamortized bond premiums				<u>1,103,563</u>	
Total on statement of net position				<u>\$ 49,760,530</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Series 2010 School Improvement General Obligation Bonds

During fiscal year 2011, the District issued \$11,499,987 in general obligation bonds. The issue was comprised of both current interest bonds, par value \$11,100,000, and capital appreciation bonds, par value \$399,987. The proceeds of these bonds were used for the purpose of improving school facilities. During fiscal year 2014, a portion of the series 2010 general obligation bonds was refunded in the amount of \$5,805,000. The remaining balance of series 2010 current interest bonds matures on December 1, 2028 at an interest rate of 6.75%. The capital appreciation bonds mature on December 1, 2029 (stated interest rate 5.93%), December 1, 2030 (stated interest rate 6.01%), December 1, 2031 (stated interest rate 6.09%), December 1, 2032 (stated interest rate 6.17%), and December 1, 2033 (stated interest rate 6.25%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,190,000. Total accreted interest of \$334,346 for series 2010 has been included on the statement of net position at June 30, 2018. Principal and interest payments are made from the bond retirement fund.

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

Series 2012 Refunding General Obligation Bonds

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

The refunding issue is comprised of both current interest bonds, par value \$8,460,000, and capital appreciation bonds, par value \$94,726. The interest rates on the current interest bonds range from 2.00%-4.00%. The capital appreciation bonds mature on December 1, 2019 (stated interest rate 25.60%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2019 is \$575,000. Total accreted interest of \$305,942 for series 2012 has been included on the statement of net position at June 30, 2018. Principal and interest payments are made from the bond retirement fund.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$814,440. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is less than the remaining life of the refunded debt, as a deferred outflow of resources on the statement of net position.

Series 2013 Refunding General Obligation Bonds

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

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of both current interest bonds, par value \$4,270,000, and capital appreciation bonds, par value \$69,094. The interest rates on the current interest bonds range from 2.00%-2.50%. The capital appreciation bonds mature on December 1, 2018 (stated interest rate 35.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2018 is \$465,000. Total accreted interest of \$326,682 for series 2013 has been included on the statement of net position at June 30, 2018. Principal and interest payments are made from the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

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

Series 2014 Refunding General Obligation Bonds

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

The refunding issue is comprised of both current interest bonds, par value \$5,800,000, and capital appreciation bonds, par value \$4,978. The interest rates on the current interest bonds range from 2.00%-4.50%. The capital appreciation bonds mature on December 1, 2031 (stated interest rate 22.10%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2031 is \$195,000. Total accreted interest of \$6,532 for series 2014 has been included on the statement of net position at June 30, 2018. Principal and interest payments are made from the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2040.

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

Lease-Purchase Agreements

See Note 10 for detail on the District's lease-purchase agreements. Principal and interest payments are made from the permanent improvement fund (a nonmajor governmental fund) and building fund.

Capital Lease Obligations

See Note 11 for detail on the District's capital lease obligations. Principal and interest payments are made from the general fund and permanent improvement fund.

Net Pension Liability

The District's net pension liability is described in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Net OPEB Liability

The District's net OPEB liability is described in Note 15. The District pays obligations related to employee compensation from the fund benefitting from their service.

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	Current Interest - Refunding Series 2010			Capital Appreciation - Refunding Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 357,413	\$ 357,413	\$ -	\$ -	\$ -
2020	-	357,412	357,412	-	-	-
2021	-	357,413	357,413	-	-	-
2022	-	357,412	357,412	-	-	-
2023	-	357,413	357,413	-	-	-
2024 - 2028	-	1,787,063	1,787,063	-	-	-
2029 - 2033	5,295,000	178,706	5,473,706	332,945	1,422,055	1,755,000
2034 - 2035	-	-	-	67,042	367,958	435,000
Total	\$ 5,295,000	\$ 3,752,832	\$ 9,047,832	\$ 399,987	\$ 1,790,013	\$ 2,190,000

Fiscal Year	Current Interest - Refunding Series 2012			Capital Appreciation - Refunding Series 2012		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 65,000	\$ 268,525	\$ 333,525	\$ -	\$ -	\$ -
2020	-	267,875	267,875	94,726	480,274	575,000
2021	600,000	255,875	855,875	-	-	-
2022	645,000	230,975	875,975	-	-	-
2023	755,000	202,975	957,975	-	-	-
2024 - 2028	4,815,000	572,362	5,387,362	-	-	-
2029	1,250,000	18,750	1,268,750	-	-	-
Total	\$ 8,130,000	\$ 1,817,337	\$ 9,947,337	\$ 94,726	\$ 480,274	\$ 575,000

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year	Current Interest - Refunding Series 2013			Capital Appreciation - Refunding Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 73,750	\$ 73,750	\$ 69,094	\$ 395,906	\$ 465,000
2020	-	73,750	73,750	-	-	-
2021	-	73,750	73,750	-	-	-
2022	-	73,750	73,750	-	-	-
2023	-	73,750	73,750	-	-	-
2024 - 2028	-	368,750	368,750	-	-	-
2029 - 2031	2,950,000	148,375	3,098,375	-	-	-
Total	\$ 2,950,000	\$ 885,875	\$ 3,835,875	\$ 69,094	\$ 395,906	\$ 465,000

Fiscal Year	Current Interest - Refunding Series 2014			Capital Appreciation - Refunding Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 15,000	\$ 223,763	\$ 238,763	\$ -	\$ -	\$ -
2020	15,000	223,462	238,462	-	-	-
2021	15,000	223,163	238,163	-	-	-
2022	15,000	222,844	237,844	-	-	-
2023	15,000	222,375	237,375	-	-	-
2024 - 2028	95,000	1,101,275	1,196,275	-	-	-
2029 - 2033	1,080,000	1,048,865	2,128,865	4,978	190,022	195,000
2034 - 2038	2,930,000	610,228	3,540,228	-	-	-
2039 - 2041	1,565,000	92,500	1,657,500	-	-	-
Total	\$ 5,745,000	\$ 3,968,475	\$ 9,713,475	\$ 4,978	\$ 190,022	\$ 195,000

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

Fiscal Year	Amounts	Amounts
	Due	Deposited
2012	\$ 215,000	\$ 215,000
2013	290,000	290,000
2014	290,000	290,000
2015	300,000	300,000
2016	300,000	300,000
2017 - 2021	1,500,000	600,000
2022 - 2026	1,500,000	-
2027 - 2029	900,000	-
	\$ 5,295,000	\$ 1,995,000

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$3,885,645 (including available funds of \$3,345,534) and an unvoted debt margin of \$258,099.

NOTE 13 - 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 2018, the District contracted with Fitzgibbons, Arnold & Co. for insurance. General and professional liability has a \$2,000,000 aggregate limit for each. Automobile liability has a \$1,000,000 combined single limit of liability. Traveler's Surety & Insurance Co. of America maintains performance bonds of \$50,000 for the Superintendent and the Board President and a \$75,000 performance bond for the Treasurer.

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

B. Employee Health and Dental

The District purchased health, dental and vision coverage through the Lake Erie Regional Council of Governments (LERC), an insurance purchasing pool. The risk of loss transfers to the pool upon payment of the premium. Based upon applicable union contracts, the District pays 85% to 86.5% of the monthly insurance premium for single and family coverage for employees working thirty hours or more. Any employee who is scheduled to work between twenty and thirty hours per week is eligible for this coverage, but they are required to pay a higher premium. The premium is generally paid by the fund that pays the salary for the employee.

C. Workers' Compensation Group Rating Plan

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$278,103 for fiscal year 2018. Of this amount, \$28,243 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$901,158 for fiscal year 2018. Of this amount, \$150,176 is reported as pension and postemployment benefits payable.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06130780%	0.05956871%	
Proportion of the net pension liability current measurement date	<u>0.06187920%</u>	<u>0.05807199%</u>	
Change in proportionate share	<u>0.00057140%</u>	<u>-0.00149672%</u>	
Proportionate share of the net pension liability	\$ 3,697,146	\$ 13,795,126	\$ 17,492,272
Pension expense	\$ (229,337)	\$ (5,878,965)	\$ (6,108,302)

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 159,111	\$ 532,705	\$ 691,816
Changes of assumptions	191,183	3,017,146	3,208,329
Difference between District contributions and proportionate share of contributions/ change in proportionate share	25,105	-	25,105
District contributions subsequent to the measurement date	<u>278,103</u>	<u>901,158</u>	<u>1,179,261</u>
Total deferred outflows of resources	<u>\$ 653,502</u>	<u>\$ 4,451,009</u>	<u>\$ 5,104,511</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 111,183	\$ 111,183
Net difference between projected and actual earnings on pension plan investments	17,551	455,255	472,806
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>138,136</u>	<u>1,463,867</u>	<u>1,602,003</u>
Total deferred inflows of resources	<u>\$ 155,687</u>	<u>\$ 2,030,305</u>	<u>\$ 2,185,992</u>

\$1,179,261 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 52,012	\$ 68,479	\$ 120,491
2020	191,380	687,785	879,165
2021	62,509	612,865	675,374
2022	(86,188)	150,415	64,227
2023	<u>(1)</u>	<u>2</u>	<u>1</u>
Total	<u>\$ 219,712</u>	<u>\$ 1,519,546</u>	<u>\$ 1,739,258</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,130,677	\$ 3,697,146	\$ 2,496,270

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LORAIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

STRS's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 19,774,843	\$ 13,795,126	\$ 8,758,110

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15- DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.45 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$34,046.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$44,346 for fiscal year 2018. Of this amount, \$35,092 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.06215680%	0.05956871%	
Proportion of the net OPEB liability current measurement date	<u>0.06290550%</u>	<u>0.05807199%</u>	
Change in proportionate share	<u>0.00074870%</u>	<u>-0.00149672%</u>	
Proportionate share of the net OPEB liability	\$ 1,688,218	\$ 2,265,755	\$ 3,953,973
OPEB expense	\$ 104,792	\$ (702,820)	\$ (598,028)

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 130,793	\$ 130,793
Difference between District contributions and proportionate share of contributions/ change in proportionate share	11,193	-	11,193
District contributions subsequent to the measurement date	<u>44,346</u>	<u>-</u>	<u>44,346</u>
Total deferred outflows of resources	<u>\$ 55,539</u>	<u>\$ 130,793</u>	<u>\$ 186,332</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 4,458	\$ 96,844	\$ 101,302
Changes of assumptions	160,203	182,514	342,717
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>-</u>	<u>68,610</u>	<u>68,610</u>
Total deferred inflows of resources	<u>\$ 164,661</u>	<u>\$ 347,968</u>	<u>\$ 512,629</u>

\$44,346 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (55,105)	\$ (44,266)	\$ (99,371)
2020	(55,105)	(44,266)	(99,371)
2021	(42,145)	(44,266)	(86,411)
2022	(1,113)	(44,266)	(45,379)
2023	-	(20,055)	(20,055)
Thereafter	<u>-</u>	<u>(20,056)</u>	<u>(20,056)</u>
Total	<u>\$ (153,468)</u>	<u>\$ (217,175)</u>	<u>\$ (370,643)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

**KEYSTONE LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,038,739	\$ 1,688,218	\$ 1,410,517

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,369,863	\$ 1,688,218	\$ 2,109,568

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 3,041,739	\$ 2,265,755	\$ 1,652,473
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,574,149	\$ 2,265,755	\$ 3,175,988

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - 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	\$ 1,333,559
Net adjustment for revenue accruals	1,004,037
Net adjustment for expenditure accruals	(398,268)
Net adjustment for other sources/uses	(91,346)
Funds budgeted elsewhere	(76,497)
Adjustment for encumbrances	410,191
GAAP basis	<u>\$ 2,181,676</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 17 - 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.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 18 - 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, 2017	\$ -
Current year set-aside requirement	283,588
Current year offsets	(392,811)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (109,223)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18 - SET-ASIDES - (Continued)

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 \$27,889,374 at June 30, 2018.

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	\$ 302,369
Building Fund	2,011,353
Nonmajor governmental funds	<u>218,397</u>
 Total	 <u>\$ 2,532,119</u>

NOTE 20 – CONTRACTUAL COMMITMENTS

As of June 30, 2018, the District had contractual commitments for the following projects:

<u>Contractor</u>	<u>Contractual Commitments</u>	<u>Amount Paid as of 6/30/2018</u>	<u>Amount Remaining on Contracts</u>
Runyon and Sons	\$ 1,994,906	\$ -	\$ 1,994,906
Mays Consulting	310,250	106,000	204,250
Akron Fireproofing	<u>315,000</u>	<u>-</u>	<u>315,000</u>
Total	<u>\$ 2,620,156</u>	<u>\$ 106,000</u>	<u>\$ 2,514,156</u>

NOTE 21 – SUBSEQUENT EVENT

Effective August 1, 2018 the position of Superintendent for the District has changed from Franco Gallo to Daniel White.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06187920%	0.06130780%	0.06401860%	0.06877700%	0.06877700%
District's proportionate share of the net pension liability	\$ 3,697,146	\$ 4,487,165	\$ 3,652,963	\$ 3,480,765	\$ 4,089,947
District's covered payroll	\$ 2,061,821	\$ 1,911,600	\$ 1,927,291	\$ 1,998,528	\$ 2,048,027
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.31%	234.73%	189.54%	174.17%	199.70%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05807199%	0.05956871%	0.06272226%	0.06769292%	0.06769292%
District's proportionate share of the net pension liability	\$ 13,795,126	\$ 19,939,443	\$ 17,334,598	\$ 16,465,261	\$ 19,613,311
District's covered payroll	\$ 6,336,500	\$ 6,302,971	\$ 6,555,057	\$ 6,916,354	\$ 7,108,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	217.71%	316.35%	264.45%	238.06%	275.92%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 278,103	\$ 288,655	\$ 267,624	\$ 254,017
Contributions in relation to the contractually required contribution	<u>(278,103)</u>	<u>(288,655)</u>	<u>(267,624)</u>	<u>(254,017)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,060,022	\$ 2,061,821	\$ 1,911,600	\$ 1,927,291
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 276,996	\$ 283,447	\$ 282,992	\$ 252,605	\$ 260,604	\$ 185,415
<u>(276,996)</u>	<u>(283,447)</u>	<u>(282,992)</u>	<u>(252,605)</u>	<u>(260,604)</u>	<u>(185,415)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,998,528	\$ 2,048,027	\$ 2,104,030	\$ 2,009,586	\$ 1,924,697	\$ 1,884,299
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 901,158	\$ 887,110	\$ 882,416	\$ 917,708
Contributions in relation to the contractually required contribution	<u>(901,158)</u>	<u>(887,110)</u>	<u>(882,416)</u>	<u>(917,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,436,843	\$ 6,336,500	\$ 6,302,971	\$ 6,555,057
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 899,126	\$ 924,070	\$ 904,448	\$ 891,185	\$ 855,326	\$ 797,113
<u>(899,126)</u>	<u>(924,070)</u>	<u>(904,448)</u>	<u>(891,185)</u>	<u>(855,326)</u>	<u>(797,113)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,916,354	\$ 7,108,231	\$ 6,957,292	\$ 6,855,269	\$ 6,579,431	\$ 6,131,638
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.06290550%	0.06215680%
District's proportionate share of the net OPEB liability	\$ 1,688,218	\$ 1,771,699
District's covered payroll	\$ 2,061,821	\$ 1,911,600
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.88%	92.68%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.05807199%	0.05956871%
District's proportionate share of the net OPEB liability	\$ 2,265,755	\$ 3,185,750
District's covered payroll	\$ 6,336,500	\$ 6,302,971
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.76%	50.54%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 44,346	\$ 34,805	\$ 31,573	\$ 51,271
Contributions in relation to the contractually required contribution	<u>(44,346)</u>	<u>(34,805)</u>	<u>(31,573)</u>	<u>(51,271)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,060,022	\$ 2,061,821	\$ 1,911,600	\$ 1,927,291
Contributions as a percentage of covered payroll	2.15%	1.69%	1.65%	2.66%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 37,625	\$ 33,408	\$ 40,445	\$ 57,049	\$ 36,027	\$ 104,237
<u>(37,625)</u>	<u>(33,408)</u>	<u>(40,445)</u>	<u>(57,049)</u>	<u>(36,027)</u>	<u>(104,237)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,998,528	\$ 2,048,027	\$ 2,104,030	\$ 2,009,586	\$ 1,924,697	\$ 1,884,299
1.88%	1.63%	1.92%	2.84%	1.87%	5.53%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,436,843	\$ 6,336,500	\$ 6,302,971	\$ 6,555,057
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 72,180	\$ 71,082	\$ 69,573	\$ 68,553	\$ 65,794	\$ 61,316
<u>(72,180)</u>	<u>(71,082)</u>	<u>(69,573)</u>	<u>(68,553)</u>	<u>(65,794)</u>	<u>(61,316)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,916,354	\$ 7,108,231	\$ 6,957,292	\$ 6,855,269	\$ 6,579,431	\$ 6,131,638
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

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

MAJOR FUNDS

General Fund

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

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

Bond Retirement Fund

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

Building Fund

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

**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, 2018

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Bond Retirement			
Total Revenues and Other Sources	\$ 1,828,304	\$ 1,828,304	\$ -
Total Expenditures and Other Uses	<u>1,499,350</u>	<u>1,465,129</u>	<u>34,221</u>
Net Change in Fund Balances	328,954	363,175	34,221
Fund Balance, July 1	<u>2,738,467</u>	<u>2,738,467</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 3,067,421</u></u>	<u><u>\$ 3,101,642</u></u>	<u><u>\$ 34,221</u></u>
Building			
Total Revenues and Other Sources	\$ 2,204,450	\$ 2,204,450	\$ -
Total Expenditures and Other Uses	<u>2,327,857</u>	<u>2,319,906</u>	<u>7,951</u>
Net Change in Fund Balances	(123,407)	(115,456)	7,951
Fund Balance, July 1	<u>332,951</u>	<u>332,951</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 209,544</u></u>	<u><u>\$ 217,495</u></u>	<u><u>\$ 7,951</u></u>

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

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to 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.

Miscellaneous State Grants Fund

A fund provided to account for State funds not classified elsewhere.

IDEA Part B Fund

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

Title 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.

Title II-A Fund

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

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

Nonmajor Special Revenue Funds (Continued)

Miscellaneous Federal Grants Fund

To account for federal grants not classified elsewhere.

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

Public School Support Fund

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

KeyCare Fund

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

Employee Benefits Fund

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

Termination Benefits Fund

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

Nonmajor Capital Projects Funds

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

Permanent Improvement Fund

To account for the construction and acquiring of permanent improvements.

Classroom Facilities Fund

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

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, 2018

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Equity in pooled cash and investments.	\$ 647,765	\$ 2,244,664	\$ 2,892,429
Receivables:			
Property taxes	-	243,998	243,998
Intergovernmental	37,801	-	37,801
Materials and supplies inventory	5,180	-	5,180
Inventory held for resale.	2,783	-	2,783
Total assets.	\$ 693,529	\$ 2,488,662	\$ 3,182,191
Liabilities:			
Accounts payable	\$ 8,274	\$ -	\$ 8,274
Contracts payable.	-	4,957	4,957
Accrued wages and benefits payables	72,160	-	72,160
Intergovernmental payable	1,213	-	1,213
Interfund loans payable.	26,593	-	26,593
Pension and postemployment obligation payable.	12,852	-	12,852
Total liabilities.	121,092	4,957	126,049
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	-	179,931	179,931
Delinquent property tax revenue not available	-	15,383	15,383
Intergovernmental revenue not available.	37,801	-	37,801
Total deferred inflows of resources	37,801	195,314	233,115
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	5,180	-	5,180
Restricted:			
Capital improvements	-	2,288,316	2,288,316
Classroom facilities maintenance	245,012	-	245,012
Food service operations	246,234	-	246,234
Non-public schools	54,571	-	54,571
Other purposes.	29,607	-	29,607
Extracurricular activities.	14,164	-	14,164
Committed:			
Capital improvements	-	75	75
Unassigned (deficit).	(60,132)	-	(60,132)
Total fund balances	534,636	2,288,391	2,823,027
Total liabilities, deferred inflows of resources and fund balances.	\$ 693,529	\$ 2,488,662	\$ 3,182,191

**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, 2018

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 132,131	\$ 129,318	\$ 261,449
Earnings on investments	1,827	10,194	12,021
Charges for services	279,029	-	279,029
Extracurricular.	81,637	-	81,637
Contributions and donations	40,866	-	40,866
Other local revenues	5,339	-	5,339
Intergovernmental - intermediate	1,825	-	1,825
Intergovernmental - state	86,285	31,112	117,397
Intergovernmental - federal	781,939	-	781,939
Total revenues	<u>1,410,878</u>	<u>170,624</u>	<u>1,581,502</u>
Expenditures:			
Current:			
Instruction:			
Regular.	35,652	3,178	38,830
Special	489,609	-	489,609
Support services:			
Pupil	19,603	-	19,603
Instructional staff.	57,905	-	57,905
Fiscal	-	4,372	4,372
Operations and maintenance	106,318	-	106,318
Pupil transportation	580	-	580
Central	5,400	-	5,400
Operation of non-instructional services:			
Food service operations.	579,547	-	579,547
Other non-instructional services.	31,961	-	31,961
Extracurricular activities.	76,285	-	76,285
Facilities acquisition and construction	116,995	211,902	328,897
Capital outlay.	-	313,443	313,443
Debt service:			
Principal retirement.	-	106,736	106,736
Interest and fiscal charges	-	19,471	19,471
Total expenditures	<u>1,519,855</u>	<u>659,102</u>	<u>2,178,957</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(108,977)</u>	<u>(488,478)</u>	<u>(597,455)</u>
Other financing sources:			
Capital lease transaction	-	313,443	313,443
Total other financing sources	<u>-</u>	<u>313,443</u>	<u>313,443</u>
Net change in fund balances	(108,977)	(175,035)	(284,012)
Fund balances, July 1	<u>643,613</u>	<u>2,463,426</u>	<u>3,107,039</u>
Fund balances, June 30.	<u>\$ 534,636</u>	<u>\$ 2,288,391</u>	<u>\$ 2,823,027</u>

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	<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	\$ 290,194	\$ 6,558	\$ 24,208	\$ 245,012
Receivables:				
Intergovernmental	-	-	-	-
Materials and supplies inventory	5,180	-	-	-
Inventory held for resale	2,783	-	-	-
Total assets	<u>\$ 298,157</u>	<u>\$ 6,558</u>	<u>\$ 24,208</u>	<u>\$ 245,012</u>
Liabilities:				
Accounts payable	\$ 1,441	\$ 1,000	\$ 159	\$ -
Accrued wages and benefits payable	33,859	-	-	-
Intergovernmental payable	447	-	-	-
Interfund loans payable	-	-	-	-
Pension and postemployment obligation payable	10,996	-	-	-
Total liabilities	<u>46,743</u>	<u>1,000</u>	<u>159</u>	<u>-</u>
Deferred inflows of resources:				
Intergovernmental revenue not available	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Materials and supplies inventory	5,180	-	-	-
Restricted:				
Classroom facilities maintenance	-	-	-	245,012
Food service operations	246,234	-	-	-
Non-public schools	-	-	-	-
Other purposes	-	5,558	24,049	-
Extracurricular activities	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances (deficits)	<u>251,414</u>	<u>5,558</u>	<u>24,049</u>	<u>245,012</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 298,157</u>	<u>\$ 6,558</u>	<u>\$ 24,208</u>	<u>\$ 245,012</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>Miscellaneous State Grants</u>	<u>IDEA Part B</u>	<u>Title I</u>	<u>Title II-A</u>
\$ 19,838	\$ 54,571	\$ 593	\$ 2,629	\$ 2,574	\$ 1,000
-	-	593	20,073	13,892	743
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,838</u>	<u>\$ 54,571</u>	<u>\$ 1,186</u>	<u>\$ 22,702</u>	<u>\$ 16,466</u>	<u>\$ 1,743</u>
\$ 5,674	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	10,878	27,423	-
-	-	-	368	398	-
-	-	593	12,000	12,000	1,000
-	-	-	1,632	154	70
<u>5,674</u>	<u>-</u>	<u>593</u>	<u>24,878</u>	<u>39,975</u>	<u>1,070</u>
-	-	593	20,073	13,892	743
-	-	593	20,073	13,892	743
-	-	-	-	-	-
-	-	-	-	-	-
-	54,571	-	-	-	-
-	-	-	-	-	-
14,164	-	-	-	-	-
-	-	-	(22,249)	(37,401)	(70)
<u>14,164</u>	<u>54,571</u>	<u>-</u>	<u>(22,249)</u>	<u>(37,401)</u>	<u>(70)</u>
<u>\$ 19,838</u>	<u>\$ 54,571</u>	<u>\$ 1,186</u>	<u>\$ 22,702</u>	<u>\$ 16,466</u>	<u>\$ 1,743</u>

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
Assets:		
Equity in pooled cash and investments.	\$ 588	\$ 647,765
Receivables:		
Intergovernmental	2,500	37,801
Materials and supplies inventory	-	5,180
Inventory held for resale.	-	2,783
Total assets.	\$ 3,088	\$ 693,529
Liabilities:		
Accounts payable	\$ -	\$ 8,274
Accrued wages and benefits payables	-	72,160
Intergovernmental payable	-	1,213
Interfund loans payable.	1,000	26,593
Pension and postemployment obligation payable.	-	12,852
Total liabilities.	1,000	121,092
Deferred inflows of resources:		
Intergovernmental revenue not available.	2,500	37,801
Total deferred inflows of resources	2,500	37,801
Fund balances:		
Materials and supplies inventory.	-	5,180
Restricted:		
Classroom facilities maintenance	-	245,012
Food service operations	-	246,234
Non-public schools	-	54,571
Other purposes.	-	29,607
Extracurricular activities	-	14,164
Unassigned (deficit).	(412)	(60,132)
Total fund balances	(412)	534,636
Total liabilities, deferred inflows of resources and fund balances.	\$ 3,088	\$ 693,529

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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, 2018

	<u>Food Services</u>	<u>School Trusts</u>	<u>Other Local Grants</u>	<u>Classroom Facilities Maintenance</u>
Revenues:				
From local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ 132,131
Earnings on investments	1,652	-	-	-
Charges for services	279,029	-	-	-
Extracurricular	-	-	-	-
Contributions and donations	-	32,304	8,562	-
Other local revenues	3,807	279	4	-
Intergovernmental - intermediate	-	-	1,825	-
Intergovernmental - state	-	-	-	-
Intergovernmental - federal	248,790	-	-	-
Total revenues	<u>533,278</u>	<u>32,583</u>	<u>10,391</u>	<u>132,131</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	33,500	2,152	-
Special	-	-	-	-
Support services:				
Pupil	-	-	5,008	-
Instructional staff	-	-	-	-
Operations and maintenance	-	-	-	106,318
Pupil transportation	-	-	580	-
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	579,547	-	-	-
Extracurricular activities	-	-	-	-
Facilities acquisition and construction	10,995	-	-	106,000
Total expenditures	<u>590,542</u>	<u>33,500</u>	<u>7,740</u>	<u>212,318</u>
Net change in fund balances	(57,264)	(917)	2,651	(80,187)
Fund balances (deficit), July 1	<u>308,678</u>	<u>6,475</u>	<u>21,398</u>	<u>325,199</u>
Fund balances (deficit), June 30	<u>\$ 251,414</u>	<u>\$ 5,558</u>	<u>\$ 24,049</u>	<u>\$ 245,012</u>

<u>Student Activity</u>	<u>Auxiliary Services</u>	<u>Data Communication</u>	<u>IDEA Part B</u>	<u>Title I</u>	<u>Title II-A</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	175	-	-	-	-
-	-	-	-	-	-
81,637	-	-	-	-	-
-	-	-	-	-	-
1,249	-	-	-	-	-
-	-	-	-	-	-
-	80,885	5,400	-	134,641	34,477
-	-	-	356,922	-	-
<u>82,886</u>	<u>81,060</u>	<u>5,400</u>	<u>356,922</u>	<u>134,641</u>	<u>34,477</u>
-	-	-	-	-	-
-	-	-	347,879	140,091	-
-	-	-	14,595	-	-
-	31,961	-	-	17,296	34,727
-	-	-	-	-	-
-	-	5,400	-	-	-
-	-	-	-	-	-
76,285	-	-	-	-	-
-	-	-	-	-	-
<u>76,285</u>	<u>31,961</u>	<u>5,400</u>	<u>362,474</u>	<u>157,387</u>	<u>34,727</u>
6,601	49,099	-	(5,552)	(22,746)	(250)
<u>7,563</u>	<u>5,472</u>	<u>-</u>	<u>(16,697)</u>	<u>(14,655)</u>	<u>180</u>
<u>\$ 14,164</u>	<u>\$ 54,571</u>	<u>\$ -</u>	<u>\$ (22,249)</u>	<u>\$ (37,401)</u>	<u>\$ (70)</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, 2018

	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
Revenues:		
From local sources:		
Property taxes	\$ -	\$ 132,131
Earnings on investments	-	1,827
Charges for services	-	279,029
Extracurricular	-	81,637
Contributions and donations	-	40,866
Other local revenues	-	5,339
Intergovernmental - intermediate	-	1,825
Intergovernmental - state	-	255,403
Intergovernmental - federal	7,109	612,821
	7,109	1,410,878
Total revenues	7,109	1,410,878
Expenditures:		
Current:		
Instruction:		
Regular	-	35,652
Special	1,639	489,609
Support services:		
Pupil	-	19,603
Instructional staff	5,882	89,866
Operations and maintenance	-	106,318
Pupil transportation	-	580
Central	-	5,400
Operation of non-instructional services:		
Food service operations	-	579,547
Extracurricular activities	-	76,285
Facilities acquisition and construction	-	116,995
	7,521	1,519,855
Total expenditures	7,521	1,519,855
Net change in fund balances	(412)	(108,977)
Fund balances (deficit), July 1	-	643,613
Fund balances (deficit), June 30	\$ (412)	\$ 534,636

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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, 2018

	<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	\$ 498,406	\$ 498,635	\$ 229
Total Expenditures and Other Uses	<u>593,472</u>	<u>549,730</u>	<u>43,742</u>
Net Change in Fund Balances	(95,066)	(51,095)	43,971
Fund Balance, July 1	334,776	334,776	-
Prior Year Encumbrances Appropriated	<u>560</u>	<u>560</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 240,270</u>	<u>\$ 284,241</u>	<u>\$ 43,971</u>
School Trusts			
Total Revenues and Other Sources	\$ 32,583	\$ 32,583	\$ -
Total Expenditures and Other Uses	<u>35,500</u>	<u>35,500</u>	<u>-</u>
Net Change in Fund Balances	(2,917)	(2,917)	-
Fund Balance, July 1	6,475	6,475	-
Prior Year Encumbrances Appropriated	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 5,558</u>	<u>\$ 5,558</u>	<u>\$ -</u>
Other Local Grants			
Total Revenues and Other Sources	\$ 10,391	\$ 10,391	\$ -
Total Expenditures and Other Uses	<u>22,293</u>	<u>7,872</u>	<u>14,421</u>
Net Change in Fund Balances	(11,902)	2,519	14,421
Fund Balance, July 1	<u>21,398</u>	<u>21,398</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 9,496</u>	<u>\$ 23,917</u>	<u>\$ 14,421</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, 2018

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Classroom Facilities Maintenance			
Total Revenues and Other Sources	\$ 264,262	\$ 132,131	\$ (132,131)
Total Expenditures and Other Uses	<u>422,768</u>	<u>422,768</u>	<u>-</u>
Net Change in Fund Balances	(158,506)	(290,637)	(132,131)
Fund Balance, July 1	299,247	299,247	-
Prior Year Encumbrances Appropriated	<u>32,152</u>	<u>32,152</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 172,893</u>	<u>\$ 40,762</u>	<u>\$ (132,131)</u>
Student Activity			
Total Revenues and Other Sources	\$ 82,636	\$ 82,886	\$ 250
Total Expenditures and Other Uses	<u>86,860</u>	<u>81,605</u>	<u>5,255</u>
Net Change in Fund Balances	(4,224)	1,281	5,505
Fund Balance, July 1	2,974	2,974	-
Prior Year Encumbrances Appropriated	<u>4,860</u>	<u>4,860</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 3,610</u>	<u>\$ 9,115</u>	<u>\$ 5,505</u>
Auxiliary Services			
Total Revenues and Other Sources	\$ 81,033	\$ 81,060	\$ 27
Total Expenditures and Other Uses	<u>132,075</u>	<u>79,031</u>	<u>53,044</u>
Net Change in Fund Balances	(51,042)	2,029	53,071
Fund Balance, July 1	707	707	-
Prior Year Encumbrances Appropriated	<u>50,483</u>	<u>50,483</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 148</u>	<u>\$ 53,219</u>	<u>\$ 53,071</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, 2018

	<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>5,400</u>	<u>5,400</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Miscellaneous State Grants			
Total Revenues and Other Sources	\$ 593	\$ 593	\$ -
Total Expenditures and Other Uses	<u>593</u>	<u>593</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
IDEA Part B			
Total Revenues and Other Sources	\$ 430,418	\$ 430,418	\$ -
Total Expenditures and Other Uses	<u>432,839</u>	<u>432,839</u>	<u>-</u>
Net Change in Fund Balances	(2,421)	(2,421)	-
Fund Balance, July 1	(21,975)	(21,975)	-
Prior Year Encumbrances Appropriated	<u>26,515</u>	<u>26,515</u>	<u>-</u>
Fund Balance (Deficit), June 30	<u>\$ 2,119</u>	<u>\$ 2,119</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Title I			
Total Revenues and Other Sources	\$ 171,055	\$ 171,055	\$ -
Total Expenditures and Other Uses	<u>174,048</u>	<u>173,712</u>	<u>336</u>
Net Change in Fund Balances	(2,993)	(2,657)	336
Fund Balance, July 1	<u>5,231</u>	<u>5,231</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2,238</u>	<u>\$ 2,574</u>	<u>\$ 336</u>
Title II-A			
Total Revenues and Other Sources	\$ 37,464	\$ 37,465	\$ 1
Total Expenditures and Other Uses	<u>38,605</u>	<u>38,606</u>	<u>(1)</u>
Net Change in Fund Balances	(1,141)	(1,141)	-
Fund Balance, July 1	512	512	-
Prior Year Encumbrances Appropriated	<u>838</u>	<u>838</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 209</u>	<u>\$ 209</u>	<u>\$ -</u>
Miscellaneous Federal Grants			
Total Revenues and Other Sources	\$ 10,259	\$ 10,259	\$ -
Total Expenditures and Other Uses	<u>10,021</u>	<u>10,021</u>	<u>-</u>
Net Change in Fund Balances	238	238	-
Fund Balance, July 1	<u>350</u>	<u>350</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 588</u>	<u>\$ 588</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Public School Support			
Total Revenues and Other Sources	\$ 68,403	\$ 68,593	\$ 190
Total Expenditures and Other Uses	<u>76,908</u>	<u>76,835</u>	<u>73</u>
Net Change in Fund Balances	(8,505)	(8,242)	263
Fund Balance, July 1	46,448	46,448	-
Prior Year Encumbrances Appropriated	<u>67</u>	<u>67</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 38,010</u>	<u>\$ 38,273</u>	<u>\$ 263</u>
KeyCare			
Total Revenues and Other Sources	\$ 67,597	\$ 67,740	\$ 143
Total Expenditures and Other Uses	<u>85,724</u>	<u>85,725</u>	<u>(1)</u>
Net Change in Fund Balances	(18,127)	(17,985)	142
Fund Balance, July 1	<u>52,108</u>	<u>52,108</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 33,981</u>	<u>\$ 34,123</u>	<u>\$ 142</u>
Employee Benefits			
Total Revenues and Other Sources	\$ 40,294	\$ 40,294	\$ -
Total Expenditures and Other Uses	<u>61,736</u>	<u>59,080</u>	<u>2,656</u>
Net Change in Fund Balances	(21,442)	(18,786)	2,656
Fund Balance, July 1	20,892	20,892	-
Prior Year Encumbrances Appropriated	<u>1,453</u>	<u>1,453</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 903</u>	<u>\$ 3,559</u>	<u>\$ 2,656</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, 2018

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Over (Under)</u>
	<u>Final</u>	<u>Actual</u>	
Termination Benefits			
Total Expenditures and Other Uses	\$ 9,477	\$ 9,477	\$ -
Net Change in Fund Balances	(9,477)	(9,477)	-
Fund Balance, July 1	12,882	12,882	-
Fund Balance, June 30	<u>\$ 3,405</u>	<u>\$ 3,405</u>	<u>\$ -</u>

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

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Capital Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 181,520	\$ 2,063,069	\$ 75	\$ 2,244,664
Receivables:				
Property taxes	243,998	-	-	243,998
Total assets.	<u>\$ 425,518</u>	<u>\$ 2,063,069</u>	<u>\$ 75</u>	<u>\$ 2,488,662</u>
Liabilities:				
Contracts payable.	\$ 4,957	\$ -	\$ -	\$ 4,957
Total liabilities.	<u>4,957</u>	<u>-</u>	<u>-</u>	<u>4,957</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	179,931	-	-	179,931
Delinquent property tax revenue not available . .	15,383	-	-	15,383
Total deferred inflows of resources	<u>195,314</u>	<u>-</u>	<u>-</u>	<u>195,314</u>
Fund balances:				
Restricted:				
Capital improvements	225,247	2,063,069	-	2,288,316
Committed:				
Capital improvements	-	-	75	75
Total fund balances	<u>225,247</u>	<u>2,063,069</u>	<u>75</u>	<u>2,288,391</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 425,518</u>	<u>\$ 2,063,069</u>	<u>\$ 75</u>	<u>\$ 2,488,662</u>

**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, 2018

	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Capital Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 129,318	\$ -	\$ -	\$ 129,318
Earnings on investments	-	10,194	-	10,194
Intergovernmental - state	31,112	-	-	31,112
Total revenues	<u>160,430</u>	<u>10,194</u>	<u>-</u>	<u>170,624</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,178	-	-	3,178
Support services:				
Fiscal	4,372	-	-	4,372
Facilities acquisition and construction	211,776	126	-	211,902
Capital outlay	313,443	-	-	313,443
Debt service:				
Principal retirement	106,736	-	-	106,736
Interest and fiscal charges	19,471	-	-	19,471
Total expenditures	<u>658,976</u>	<u>126</u>	<u>-</u>	<u>659,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(498,546)</u>	<u>10,068</u>	<u>-</u>	<u>(488,478)</u>
Other financing sources:				
Capital lease transaction	313,443	-	-	313,443
Total other financing sources	<u>313,443</u>	<u>-</u>	<u>-</u>	<u>313,443</u>
Net change in fund balances	(185,103)	10,068	-	(175,035)
Fund balances, July 1	410,350	2,053,001	75	2,463,426
Fund balances, June 30.	<u>\$ 225,247</u>	<u>\$ 2,063,069</u>	<u>\$ 75</u>	<u>\$ 2,288,391</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, 2018

	<u>Budgeted Amounts</u>		Variance with Final Budget- Over (Under)
	<u>Final</u>	<u>Actual</u>	
Permanent Improvement			
Total Revenues and Other Sources	\$ 260,681	\$ 260,680	\$ (1)
Total Expenditures and Other Uses	<u>479,155</u>	<u>477,154</u>	<u>2,001</u>
Net Change in Fund Balances	(218,474)	(216,474)	2,000
Fund Balance, July 1	<u>393,547</u>	<u>393,547</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 175,073</u></u>	<u><u>\$ 177,073</u></u>	<u><u>\$ 2,000</u></u>
Classroom Facilities			
Total Revenues and Other Sources	\$ 9,463	\$ 10,194	\$ 731
Total Expenditures and Other Uses	<u>2,078,846</u>	<u>24,075</u>	<u>2,054,771</u>
Net Change in Fund Balances	(2,069,383)	(13,881)	2,055,502
Fund Balance, July 1	2,053,785	2,053,785	-
Prior Year Encumbrances Appropriated	<u>23,165</u>	<u>23,165</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 7,567</u></u>	<u><u>\$ 2,063,069</u></u>	<u><u>\$ 2,055,502</u></u>
Other Capital Projects			
Fund Balance, July 1	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ -</u>
Fund Balance, June 30	<u><u>\$ 75</u></u>	<u><u>\$ 75</u></u>	<u><u>\$ -</u></u>

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

Agency Funds

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

District Agency Fund

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

Student Activity Fund

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

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

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
District Agency				
Assets:				
Equity in pooled cash and investments	\$ -	\$ 7,760	\$ 7,760	\$ -
Total assets.	<u>\$ -</u>	<u>\$ 7,760</u>	<u>\$ 7,760</u>	<u>\$ -</u>
Liabilities:				
Due to others.	\$ -	\$ 7,760	\$ 7,760	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 7,760</u>	<u>\$ 7,760</u>	<u>\$ -</u>
Student Activity				
Assets:				
Equity in pooled cash and investments	\$ 45,591	\$ 42,145	\$ 37,930	\$ 49,806
Receivables:				
Accounts	-	10	-	10
Total assets.	<u>\$ 45,591</u>	<u>\$ 42,155</u>	<u>\$ 37,930</u>	<u>\$ 49,816</u>
Liabilities:				
Accounts payable.	\$ 289	\$ 13	\$ 289	\$ 13
Due to students.	45,302	42,142	37,641	49,803
Total liabilities	<u>\$ 45,591</u>	<u>\$ 42,155</u>	<u>\$ 37,930</u>	<u>\$ 49,816</u>
Total Agency Funds				
Assets:				
Equity in pooled cash and investments	\$ 45,591	\$ 49,905	\$ 45,690	\$ 49,806
Receivables:				
Accounts	-	10	-	10
Total assets.	<u>\$ 45,591</u>	<u>\$ 49,915</u>	<u>\$ 45,690</u>	<u>\$ 49,816</u>
Liabilities:				
Accounts payable.	\$ 289	\$ 13	\$ 289	\$ 13
Due to students.	45,302	42,142	37,641	49,803
Due to others.	-	7,760	7,760	-
Total liabilities	<u>\$ 45,591</u>	<u>\$ 49,915</u>	<u>\$ 45,690</u>	<u>\$ 49,816</u>

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.	136-149
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	150-155
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.	156-159
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.	160-161
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.	162-168

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>2018</u>	<u>2017 (c)</u>	<u>2016</u>	<u>2015</u>
Governmental activities				
Net investment in capital assets	\$ 19,128,020	\$ 19,396,434	\$ 20,670,900	\$ 15,980,229
Restricted	5,475,194	5,846,570	5,786,670	10,513,353
Unrestricted	(13,246,028)	(23,584,996)	(19,669,595)	(21,156,996)
Total governmental activities net position	<u>\$ 11,357,186</u>	<u>\$ 1,658,008</u>	<u>\$ 6,787,975</u>	<u>\$ 5,336,586</u>

Source: School District financial records.

Note: (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.
 (b) Amounts have been restated to reflect the implementation of GASB Statements 68 in fiscal year 2015.
 (c) Amounts have been restated to reflect the implementation of GASB Statements 75 in fiscal year 2017.

2014 (b)	2013	2012 (a)	2011 (a)	2010	2009
\$ 6,260,303	\$ 3,218,793	\$ 3,118,131	\$ 3,636,413	\$ 3,748,240	\$ 3,597,575
19,303,893	23,173,283	2,671,345	2,733,109	2,547,989	2,640,004
(20,969,425)	3,066,465	3,883,911	3,734,145	3,731,747	4,012,688
<u>\$ 4,594,771</u>	<u>\$ 29,458,541</u>	<u>\$ 9,673,387</u>	<u>\$ 10,103,667</u>	<u>\$ 10,027,976</u>	<u>\$ 10,250,267</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Expenses				
Governmental activities:				
Instruction:				
Regular	\$ 4,025,466	\$ 8,308,039	\$ 7,284,769	\$ 7,480,329
Special	1,291,446	2,232,820	2,026,102	2,110,500
Vocational	9,178	61,791	55,856	53,748
Other	9,580	40,307	49,881	94,524
Support services:				
Pupil	407,000	869,824	847,757	884,804
Instructional staff	489,301	543,362	593,048	525,268
Board of education	38,496	36,830	51,846	49,765
Administration	698,398	1,408,658	1,311,080	1,359,148
Fiscal	360,634	536,526	509,138	569,229
Operations and maintenance	1,320,970	1,696,599	1,419,131	1,250,935
Pupil transportation	545,713	979,817	835,930	975,122
Central	195,057	322,421	237,935	262,348
Operation of non-instructional services:				
Food service operations	422,909	552,148	559,389	562,684
Latchkey operations	65,296	81,953	107,112	70,659
Other non-instructional services	-	130,152	55,424	54,400
Extracurricular activities	293,905	612,758	487,692	469,386
Interest and fiscal charges	1,183,108	1,146,379	1,136,027	1,209,134
Bond issuance costs	-	-	-	-
Total governmental activities expenses	<u>11,356,457</u>	<u>19,560,384</u>	<u>17,568,117</u>	<u>17,981,983</u>

Source: School District financial records.

Note: (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.
(b) Amounts have been restated to reflect the implementation of GASB Statement 75

	<u>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>
\$	8,574,984	\$ 8,089,685	\$ 7,812,891	\$ 7,886,625	\$ 7,587,064	\$ 7,571,878
	2,211,408	1,908,297	1,752,181	1,705,354	1,626,780	1,416,017
	55,253	73,140	106,481	102,822	101,087	102,875
	93,531	102,219	100,517	91,730	114,886	89,080
	1,000,941	982,553	1,018,365	1,005,556	886,994	810,521
	450,809	438,155	507,328	473,860	532,728	443,050
	44,537	31,080	51,535	32,725	34,668	42,208
	1,415,995	1,328,357	1,170,114	1,216,788	1,238,876	1,139,342
	470,323	486,395	497,950	448,063	428,194	414,440
	1,455,702	1,489,655	1,273,567	1,173,432	1,326,992	1,436,266
	1,006,710	922,047	963,081	887,051	958,546	901,853
	345,561	347,854	478,171	373,804	374,039	465,653
	579,067	533,896	542,523	504,207	485,656	483,727
	69,748	61,874	54,577	49,485	55,778	59,162
	56,790	121,521	62,265	86,977	111,471	80,774
	463,359	456,214	522,179	454,751	463,680	368,793
	1,401,336	1,292,291	1,363,542	1,138,834	753,411	772,798
	136,589	97,895	121,118	225,915	-	-
	<u>19,832,643</u>	<u>18,763,128</u>	<u>18,398,385</u>	<u>17,857,979</u>	<u>17,080,850</u>	<u>16,598,437</u>

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

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

Program Revenues	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities:				
Charges for services and sales:				
Instruction:				
Regular	\$ 1,331,202	\$ 1,131,879	\$ 1,350,001	\$ 1,384,027
Special	140,998	212,497	20,689	113,002
Support services:				
Pupil	16,387	14,378	14,228	34,014
Instructional staff	-	-	-	-
Operations and maintenance	5,110	4,510	3,140	4,333
Central	-	-	-	-
Operation of non-instructional services:				
Food service operations	279,029	258,099	316,062	302,418
Latchkey operations	66,614	71,744	98,586	88,699
Extracurricular activities	81,637	81,918	72,874	76,494
Operating grants and contributions:				
Instruction:				
Regular	35,472	21,083	25,856	30,369
Special	786,866	837,707	797,233	843,280
Vocational	9,613	9,542	6,282	12,860
Other	-	4,067	-	7,821
Support services:				
Pupil	19,999	90,939	117,066	135,073
Instructional staff	55,517	59,319	53,629	54,270
Administration	-	-	-	-
Fiscal	-	-	-	356
Operations and maintenance	-	-	-	-
Pupil transportation	40,472	57,852	77,062	63,697
Central	5,400	5,400	5,400	5,400
Operation of non-instructional services:				
Food service operations	254,249	280,143	253,124	248,907
Other non-instructional services	81,060	102,423	66,156	48,078
Extracurricular activities	1,249	-	37	134
Capital grants and contributions:				
Instruction:				
Regular	-	12,509	5,628	17,067
Support services:				
Fiscal	-	-	-	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	30,970	-	-
Central	-	-	-	-
Extracurricular activities	-	-	-	1,900
Total governmental program revenues	<u>3,210,874</u>	<u>3,286,979</u>	<u>3,283,053</u>	<u>3,472,199</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (8,145,583)</u>	<u>\$ (16,273,405)</u>	<u>\$ (14,285,064)</u>	<u>\$ (14,509,784)</u>

Source: School District financial records.

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

(b) Amounts have been restated to reflect the implementation of GASB Statement 75

	<u>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011 (a)</u>	<u>2010</u>	<u>2009</u>
\$	1,364,746	\$ 1,134,614	\$ 932,268	\$ 671,489	\$ 525,405	\$ 494,562
	122,879	78,169	72,099	3,072	3,305	-
	19,725	13,264	16,096	8,032	22,915	30,376
	569	233	647	147	274	777
	3,488	5,222	7,817	5,826	6,269	8,238
	-	-	-	-	-	104
	310,241	304,011	342,533	350,391	353,457	381,544
	71,374	69,584	66,420	49,896	47,652	53,391
	77,708	75,616	83,892	82,936	68,147	75,971
	2,000	8,432	31,040	460,915	46,816	38,437
	812,388	630,854	602,357	821,977	417,214	632,930
	12,692	12,863	12,863	12,863	12,767	13,128
	9,508	23,638	19,839	17,130	34,579	-
	127,683	101,992	133,264	147,577	148,962	123,445
	96,284	82,318	91,219	144,152	84,735	64,803
	-	22,413	13,695	73,554	80,863	65,461
	1,064	-	4,644	131	5,000	8,952
	-	-	-	258,388	254,918	-
	63,579	62,690	64,427	55,002	101,401	60,045
	5,400	5,400	5,400	142,583	176,263	77
	247,746	234,298	240,032	180,203	154,812	138,247
	66,177	76,031	76,568	73,547	77,864	96,033
	253	834	4,053	1,401	6,732	6,070
	77,151	148,917	5,625	-	-	16,343
	571	2,857	461	-	-	-
	-	791	2,845	-	-	-
	3,608	-	8,154	-	-	12,066
	1,286	10,226	307	-	-	-
	101	-	-	-	5,000	126,930
	<u>3,498,221</u>	<u>3,105,267</u>	<u>2,838,565</u>	<u>3,561,212</u>	<u>2,635,350</u>	<u>2,447,930</u>
\$	<u>(16,334,422)</u>	<u>(15,657,861)</u>	<u>(15,559,820)</u>	<u>(14,296,767)</u>	<u>(14,445,500)</u>	<u>(14,150,507)</u>

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property taxes levied for:				
General purposes	\$ 8,307,763	\$ 6,935,066	\$ 6,404,044	\$ 4,982,929
Debt service	1,498,320	1,260,754	1,242,881	1,149,955
Capital outlay	132,109	87,676	91,270	86,053
Special revenue	-	-	-	132,131
Classroom facilities maintenance	132,131	132,131	132,131	-
Grants and entitlements not restricted to specific programs	7,398,159	7,317,187	7,238,844	1,447,644
Grants and entitlements not restricted to capital projects	-	-	257,130	-
Grants and entitlements restricted for Ohio Facilities Construction Commission	-	-	-	7,112,230
Investment earnings	53,796	30,652	99,196	50,430
Increase (decrease) in fair value of investments	-	-	-	-
Miscellaneous	322,483	302,616	270,957	290,227
Total governmental activities	<u>17,844,761</u>	<u>16,066,082</u>	<u>15,736,453</u>	<u>15,251,599</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>\$ 9,699,178</u>	<u>\$ (207,323)</u>	<u>\$ 1,451,389</u>	<u>\$ 741,815</u>

Source: School District financial records.

Note: (a) Amounts have been restated to reflect the implementation of GASB Statements 63 and 65 in fiscal year 2013.
(b) Amounts have been restated to reflect the implementation of GASB Statement 75

	2014	2013	2012 (a)	2011 (a)	2010	2009
\$	5,060,622	\$ 5,095,630	\$ 5,596,868	\$ 5,098,704	\$ 4,849,409	\$ 4,295,550
	1,106,042	1,154,297	1,388,241	1,221,080	1,170,484	1,021,138
	89,017	90,534	243,854	218,383	205,597	183,446
	132,131	132,131	-	-	-	-
	-	-	-	-	-	-
	7,279,900	7,377,981	7,570,683	7,498,166	7,709,810	7,695,009
	-	-	-	-	-	-
	-	21,293,978	-	-	-	-
	43,593	35,057	52,105	48,618	30,565	150,664
	725	(35,232)	-	-	-	-
	285,758	298,639	277,789	287,507	257,344	394,083
	<u>13,997,788</u>	<u>35,443,015</u>	<u>15,129,540</u>	<u>14,372,458</u>	<u>14,223,209</u>	<u>13,739,890</u>
	-	-	-	-	-	(646,336)
	-	-	-	-	-	(646,336)
	<u>\$ (2,336,634)</u>	<u>\$ 19,785,154</u>	<u>\$ (430,280)</u>	<u>\$ 75,691</u>	<u>\$ (222,291)</u>	<u>\$ (1,056,953)</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund:				
Nonspendable	\$ 37,492	\$ 14,779	\$ 13,126	\$ 18,334
Committed	171,953	65,932	63,887	-
Assigned	198,019	212,458	345,602	626,859
Unassigned	5,259,214	3,191,833	1,851,986	468,779
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total general fund	<u><u>\$ 5,666,678</u></u>	<u><u>\$ 3,485,002</u></u>	<u><u>\$ 2,274,601</u></u>	<u><u>\$ 1,113,972</u></u>
All Other Governmental Funds:				
Nonspendable	\$ 5,180	\$ 2,513	\$ 3,475	\$ 3,072
Restricted	8,452,286	6,315,934	6,276,963	4,163,973
Committed	75	75	75	43,823
Assigned	-	-	7,475	7,475
Unassigned (deficit)	(60,132)	(31,352)	(110,705)	(69,876)
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total all other governmental funds	<u><u>8,397,409</u></u>	<u><u>6,287,170</u></u>	<u><u>6,177,283</u></u>	<u><u>4,148,467</u></u>
Total governmental funds	<u><u>\$ 14,064,087</u></u>	<u><u>\$ 9,772,172</u></u>	<u><u>\$ 8,451,884</u></u>	<u><u>\$ 5,262,439</u></u>

Source: School District financial records.

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 18,207	\$ 17,201	\$ 15,660	\$ 14,186	\$ -	\$ -
164,341	-	123,199	20,000	-	-
1,385,208	787,742	1,583,917	1,656,896	-	-
-	2,100,172	2,426,172	2,755,500	-	-
-	-	-	-	313,189	508,715
-	-	-	-	4,055,093	4,111,347
<u>\$ 1,567,756</u>	<u>\$ 2,905,115</u>	<u>\$ 4,148,948</u>	<u>\$ 4,446,582</u>	<u>\$ 4,368,282</u>	<u>\$ 4,620,062</u>
\$ 13,858	\$ 29,406	\$ 9,110	\$ 11,084	\$ -	\$ -
13,691,353	8,002,317	7,130,006	13,224,957	-	-
162,405	125,427	7,392	5,000	-	-
-	-	-	-	-	-
-	(414)	(18,644)	(4,123)	-	-
-	-	-	-	1,219,642	1,393,648
-	-	-	-	224,532	335,012
-	-	-	-	971,017	862,101
<u>13,867,616</u>	<u>8,156,736</u>	<u>7,127,864</u>	<u>13,236,918</u>	<u>2,415,191</u>	<u>2,590,761</u>
<u>\$ 15,435,372</u>	<u>\$ 11,061,851</u>	<u>\$ 11,276,812</u>	<u>\$ 17,683,500</u>	<u>\$ 6,783,473</u>	<u>\$ 7,210,823</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues				
From local sources:				
Property taxes	\$ 9,991,615	\$ 8,410,104	\$ 7,852,706	\$ 6,303,999
Tuition and fees	1,397,494	1,272,717	1,257,511	1,400,718
Charges for services	279,029	255,092	316,062	300,242
Earnings on investments	117,286	80,955	60,444	51,833
Increase (decrease) in fair value of investments	(63,458)	(48,772)	43,718	15,958
Extracurricular	98,024	95,421	87,102	110,408
Classroom materials and fees	73,671	67,806	69,191	91,236
Rental income	5,110	4,510	3,140	4,333
Contributions and donations	41,246	34,355	38,407	41,416
Contract services	1,035	3,851	2,644	2,596
Other local revenues	394,056	378,244	411,998	382,376
Intergovernmental - intermediate	1,825	45,829	-	2,000
Intergovernmental - state	7,549,017	7,545,135	9,931,469	11,015,544
Intergovernmental - federal	1,116,806	1,260,083	992,614	1,077,754
Total revenues	<u>21,002,756</u>	<u>19,405,330</u>	<u>21,067,006</u>	<u>20,800,413</u>
Expenditures				
Current:				
Instruction:				
Regular	7,123,003	6,944,381	6,696,401	6,818,686
Special	2,203,937	2,145,385	2,004,220	2,096,101
Vocational	33,840	59,501	56,084	54,021
Other	39,659	42,753	46,671	96,894
Support services:				
Pupil	805,971	845,423	841,714	877,540
Instructional staff	735,404	520,460	583,704	517,132
Board of education	49,281	35,466	51,078	49,067
Administration	1,371,369	1,340,610	1,298,025	1,351,835
Fiscal	519,754	513,268	505,966	566,005
Operations and maintenance	1,479,891	1,368,712	1,290,153	1,222,222
Pupil transportation	858,289	889,646	795,391	918,687
Central	196,919	288,443	216,348	241,275
Operation of non-instructional services:				
Food service operations	579,547	531,697	545,600	548,108
Latchkey operations	86,059	81,953	107,112	70,659
Other non-instructional services	31,961	124,216	53,383	54,394
Extracurricular activities	468,683	478,797	412,850	392,282
Facilities acquisition and construction	637,450	281,579	841,629	13,527,529
Capital outlay	313,443	-	396,598	-
Debt service:				
Principal retirement	732,244	614,363	537,774	522,070
Interest and fiscal charges	962,030	978,389	993,458	1,048,839
Bond issuance costs	-	-	-	-
Total expenditures	<u>19,228,734</u>	<u>18,085,042</u>	<u>18,274,159</u>	<u>30,973,346</u>
Excess (deficiency) of revenues over (under) expenditures	1,774,022	1,320,288	2,792,847	(10,172,933)

Source: School District financial records.

	2014	2013	2012	2011	2010	2009
\$	6,634,748	\$ 6,439,549	\$ 6,770,183	\$ 6,811,405	\$ 6,273,572	\$ 5,403,970
	1,406,341	1,131,481	930,521	603,722	454,021	419,581
	310,241	304,063	338,593	343,880	341,006	366,484
	39,406	37,462	53,694	48,229	28,962	151,933
	725	(35,232)	-	-	-	-
	98,002	89,061	98,937	89,324	72,030	77,507
	76,813	76,865	69,433	62,951	67,492	74,981
	3,488	5,222	7,817	5,826	6,269	6,613
	86,146	164,791	29,069	3,654	16,820	38,395
	4,471	4,437	3,911	7,888	7,197	-
	365,898	375,655	350,349	345,605	336,753	610,810
	5,945	10,072	40,007	10,055	5,902	7,420
	18,135,373	13,622,903	7,480,036	7,650,851	7,885,218	8,244,818
	1,269,354	1,315,723	1,697,573	1,890,678	1,361,162	694,053
	<u>28,436,951</u>	<u>23,542,052</u>	<u>17,870,123</u>	<u>17,874,068</u>	<u>16,856,404</u>	<u>16,096,565</u>
	7,750,680	7,405,709	7,105,699	7,355,952	7,021,672	6,935,336
	2,163,747	1,907,667	1,751,605	1,705,416	1,638,378	1,416,148
	54,032	103,756	105,314	102,179	100,478	102,032
	93,301	102,449	100,517	91,730	116,797	89,025
	974,684	1,017,645	1,009,267	1,001,149	882,916	805,837
	433,119	435,122	503,978	470,510	529,378	439,700
	43,390	31,246	51,535	32,725	34,668	42,208
	1,405,049	1,337,377	1,159,162	1,201,544	1,246,756	1,134,662
	456,726	480,505	497,353	455,803	417,531	413,401
	1,360,731	1,169,841	1,209,641	1,112,437	1,217,001	1,307,832
	926,320	854,319	961,052	842,862	1,034,244	933,691
	322,824	337,655	471,051	377,054	384,903	462,887
	560,705	524,803	541,275	493,375	481,473	480,562
	69,748	61,874	54,577	49,485	55,778	59,162
	55,454	121,604	62,265	86,977	111,471	80,774
	381,453	382,930	448,895	381,467	396,081	363,707
	5,328,458	5,910,747	6,503,643	786,805	147,450	1,721,517
	-	-	-	372,368	-	-
	493,703	325,825	258,397	883,287	734,000	645,000
	1,189,306	1,245,939	1,481,585	1,044,231	734,586	754,830
	136,589	97,895	121,118	225,915	-	-
	<u>24,200,019</u>	<u>23,854,908</u>	<u>24,397,929</u>	<u>19,073,271</u>	<u>17,285,561</u>	<u>18,188,311</u>
	4,236,932	(312,856)	(6,527,806)	(1,199,203)	(429,157)	(2,091,746)

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other Financing Sources (Uses)				
Lease-purchase agreement	\$ -	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-	-
Transfers in	-	-	35	583,491
Transfers (out)	-	-	(35)	(583,491)
Premium on refunding bonds	-	-	-	-
Sale of refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Premium on notes and bonds sold	-	-	-	-
Sale of bonds	-	-	-	-
Lease transaction	2,517,893	-	396,598	-
Total other financing sources (uses)	<u>2,517,893</u>	<u>-</u>	<u>396,598</u>	<u>-</u>
Special Item				
Sale of capital assets	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,291,915</u>	<u>\$ 1,320,288</u>	<u>\$ 3,189,445</u>	<u>\$ (10,172,933)</u>
Capital expenditures	\$ 742,076	\$ 127,733	\$ 1,176,074	\$ 13,547,338
Debt service as a percentage of noncapital expenditures	9.16%	8.87%	8.96%	9.01%

Source: School District financial records.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 890,000
-	-	-	-	1,807	10,030
41,900	28,100	41,800	17,096	25,000	1,017,061
(41,900)	(28,100)	(41,800)	(17,096)	(25,000)	(28,937)
173,237	408,233	935,832	-	-	-
5,804,978	4,339,094	8,554,726	-	-	-
(5,841,626)	(4,649,432)	(9,369,440)	-	-	-
-	-	-	226,875	-	-
-	-	-	11,499,987	-	-
-	-	-	372,368	-	-
<u>136,589</u>	<u>97,895</u>	<u>121,118</u>	<u>12,099,230</u>	<u>1,807</u>	<u>1,888,154</u>
-	-	-	-	-	594,123
-	-	-	-	-	594,123
<u>\$ 4,373,521</u>	<u>\$ (214,961)</u>	<u>\$ (6,406,688)</u>	<u>\$ 10,900,027</u>	<u>\$ (427,350)</u>	<u>\$ 390,531</u>
\$ 5,316,946	\$ 5,662,247	\$ 6,537,372	\$ 1,163,719	\$ 232,781	\$ 1,717,822
8.91%	8.64%	9.74%	10.76%	8.61%	8.50%

**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
2018	\$ 244,326,240	\$ 698,074,971	\$ -	\$ -	\$ 13,772,600	\$ 39,350,286
2017	242,204,300	692,012,286	-	-	13,072,100	37,348,857
2016	240,076,130	685,931,800	-	-	12,483,050	35,665,857
2015	228,293,890	652,268,257	-	-	11,894,870	33,985,343
2014	227,675,030	650,500,086	-	-	11,427,140	32,648,971
2013	226,640,100	647,543,143	-	-	11,875,840	33,930,971
2012	252,957,500	722,735,714	-	-	11,305,270	32,300,771
2011	254,638,260	727,537,886	-	-	10,818,110	30,908,886
2010	252,011,520	720,032,914	721,700	2,886,800	8,515,930	24,331,229
2009	265,642,394	758,978,269	2,909,940	11,639,760	10,150,420	29,001,200

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 Direct Tax Rate	Total		
	Assessed Value	Estimated Actual Value	%
58.20	\$ 258,098,840	\$ 737,425,257	35.00%
58.39	255,276,400	729,361,143	35.00%
58.27	252,559,180	721,597,657	35.00%
50.24	240,188,760	686,253,600	35.00%
49.87	239,102,170	683,149,057	35.00%
49.82	238,515,940	681,474,114	35.00%
50.10	264,262,770	755,036,486	35.00%
49.83	265,456,370	758,446,771	35.00%
49.90	261,249,150	747,250,943	34.96%
49.60	278,702,754	799,619,229	34.85%

**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
2017/2018	15.08	7.50	8.60	7.25	10.28	6.71	4.05
2016/2017	15.08	6.10	8.20	7.75	8.78	7.21	4.55
2015/2016	15.08	6.10	8.20	7.25	8.78	7.21	4.55
2014/2015	14.48	6.10	8.20	7.25	8.78	7.21	4.55
2013/2014	14.48	6.10	6.30	7.25	8.78	8.01	4.55
2012/2013	13.66	6.10	6.30	7.25	8.78	8.01	4.55
2011/2012	13.69	6.10	6.30	7.25	7.78	8.01	3.40
2010/2011	13.69	6.10	6.23	7.28	7.78	8.08	4.59
2009/2010	13.39	5.68	6.23	7.28	7.78	8.08	4.59
2008/2009	13.39	4.78	6.23	7.28	7.78	7.28	4.59

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	9.40	45.93	5.65	2.00	4.62	58.20
10.78	9.90	45.93	5.84	2.00	4.62	58.39
10.53	9.90	45.93	5.72	2.00	4.62	58.27
10.28	9.65	37.98	5.64	2.00	4.62	50.24
10.28	9.65	37.98	5.27	2.00	4.62	49.87
10.28	9.65	37.98	5.22	2.00	4.62	49.82
10.28	8.50	37.98	5.50	2.00	4.62	50.10
10.78	9.72	37.98	5.23	2.00	4.62	49.83
10.78	9.72	37.98	5.30	2.00	4.62	49.90
10.78	9.72	37.98	5.00	2.00	4.62	49.60

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

PRINCIPAL PROPERTY TAX PAYERS
DECEMBER 31, 2017 AND DECEMBER 31, 2008

December 31, 2017			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Columbia Gas Transmission	\$ 4,920,830	1	2.07%
Ohio Edison - FirstEnergy Company	2,973,260	2	1.24%
Lorain-Medina Rural Electric Cooperative, Inc.	2,545,080	3	1.06%
Lorain County Landfill LLC	1,650,010	4	0.69%
Columbia Gas of Ohio, Inc.	1,270,600	5	0.53%
Elyria Country Club	1,171,120	6	0.49%
Gordon Farms Partnership, LLP.	1,076,630	7	0.45%
K&K Tompkins Real Estate LLC	1,031,370	8	0.43%
Durham Ridge Investments, LLC.	1,028,570	9	0.43%
Twin Lake Homes, LTD.	1,022,650	10	0.43%
Total	\$ 18,690,120		7.82%

December 31, 2008			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Durham Ridge Investments	\$ 4,153,340	1	1.77%
Columbia Gas Transmission	4,044,560	2	1.72%
Ohio Edison - FirstEnergy Company	2,267,050	3	0.96%
Lorain-Medina Rural Electric Cooperative, Inc.	1,883,210	4	0.80%
Elyria Country Club	1,545,000	5	0.66%
Sentinel Square LLC	1,221,270	6	0.52%
Gordon Farms Partnership, LLP.	1,113,090	7	0.47%
Twin Lake Homes, LTD.	929,650	8	0.40%
Columbia Gas of Ohio	843,670	9	0.36%
Manufacturers Holdings INC	660,590	10	0.28%
Total	\$ 18,661,430		7.94%

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
2017/2018	\$ 9,662,907	\$ 9,332,778	96.58%	\$ 98,269	\$ 9,431,047	97.60%
2016/2017	9,589,659	9,212,765	96.07%	93,141	9,305,906	97.04%
2015/2016	9,445,300	8,182,209	86.63%	154,804	8,337,014	88.27%
2014/2015	7,318,014	7,058,536	96.45%	122,162	7,180,698	98.12%
2013/2014	7,182,548	6,903,521	96.12%	134,258	7,037,779	97.98%
2012/2013	7,164,228	7,406,100	103.38%	236,907	7,643,007	106.68%
2011/2012	7,461,429	7,550,080	101.19%	337,127	7,887,207	105.71%
2010/2011	7,418,268	7,433,938	100.21%	264,604	7,698,542	103.78%
2009/2010	7,321,678	7,323,056	100.02%	268,712	7,591,768	103.69%
2008/2009	7,353,741	7,205,996	97.99%	275,376	7,481,372	101.74%

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				
2018	\$ 24,765,850	\$ 2,624,450	\$ 401,660	\$ 27,791,960	1.29%	\$ 353	\$ 17,896
2017	25,115,043	481,000	249,461	25,845,504	1.20%	329	16,610
2016	25,487,548	540,000	324,824	26,352,372	1.26%	332	16,637
2015	25,830,722	596,000	44,086	26,470,808	1.27%	333	16,701
2014	26,120,057	650,000	127,156	26,897,213	1.30%	338	15,831
2013	26,236,737	702,000	203,859	27,142,596	1.39%	342	16,292
2012	26,036,550	752,000	274,684	27,063,234	1.39%	351	15,948
2011	25,354,422	800,000	340,081	26,494,503	1.03%	343	15,724
2010	14,399,488	846,000	-	15,245,488	0.58%	192	8,952
2009	15,068,794	890,000	-	15,958,794	0.62%	201	9,235

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		
2018	\$ 24,765,850	\$ 2,375,242	\$ 22,390,608	3.04%	\$ 285
2017	25,115,043	2,336,702	22,778,341	3.12%	290
2016	25,487,548	2,011,762	23,475,786	3.25%	295
2015	25,830,722	1,779,306	24,051,416	3.50%	303
2014	26,120,057	1,634,556	24,485,501	3.58%	308
2013	26,236,737	1,538,510	24,698,227	3.62%	311
2012	26,036,550	1,325,294	24,711,256	3.27%	320
2011	25,354,422	868,452	24,485,970	3.23%	317
2010	14,399,488	1,158,641	13,240,847	1.77%	167
2009	15,068,794	1,216,201	13,852,593	1.73%	175

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, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Keystone Local School District	\$ 27,791,960	100.00%	\$ 27,791,960
Overlapping debt:			
Lorain County	38,125,000	3.84%	1,464,000
City of Elyria	24,720,000	0.19%	46,968
Lorain County Joint Vocational School District	2,434,319	4.31%	104,919
Total overlapping debt	<u>65,279,319</u>		<u>1,615,887</u>
 Total direct and overlapping debt	 <u>\$ 93,071,279</u>		 <u>\$ 29,407,847</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
2018	\$ 23,228,896	\$ 22,688,785	\$ 3,345,534	\$ 19,343,251	\$ 3,885,645	83.27%
2017	22,974,876	23,198,785	2,847,180	20,351,605	2,623,271	88.58%
2016	22,730,326	23,678,785	2,547,099	21,131,686	1,598,640	92.97%
2015	21,616,988	24,088,785	2,132,376	21,956,409	(339,421)	101.57%
2014	21,519,195	24,413,745	1,871,469	22,542,276	(1,023,081)	104.75%
2013	21,466,435	24,633,807	1,644,833	22,988,974	(1,522,539)	107.09%
2012	23,783,649	24,839,713	1,313,200	23,526,513	257,136	98.92%
2011	23,636,620	24,984,987	964,028	24,020,959	(384,339)	101.63%
2010	23,447,471	14,290,000	1,142,605	13,147,395	10,300,076	56.07%
2009	24,811,556	14,980,000	1,193,326	13,786,674	11,024,882	55.57%

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>
2018	78,650	\$ 27.49	\$ 2,162,089	1,553	4.6%	4.5%	4.0%
2017	78,650	27.49	2,162,089	1,556	6.3%	4.7%	4.1%
2016	79,466	26.24	2,085,188	1,584	5.4%	4.8%	4.8%
2015	79,466	26.24	2,085,188	1,585	4.8%	4.2%	4.8%
2014	79,466	26.05	2,070,089	1,699	6.9%	5.3%	6.3%
2013	79,451	24.62	1,956,084	1,666	8.2%	7.2%	7.6%
2012	77,178	25.20	1,944,886	1,697	7.7%	7.2%	8.2%
2011	77,348	33.12	2,561,766	1,685	8.2%	8.8%	9.2%
2010	79,375	33.12	2,628,900	1,703	10.1%	10.5%	9.5%
2009	79,375	32.35	2,567,781	1,728	9.7%	10.4%	9.6%

Sources:

- (a) Bestplaces.net by
- (b) Lorain County Auditor's Office.
- (c) Enrollment figures are taken from District records.

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

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

PRINCIPAL EMPLOYERS
DECEMBER 31, 2017 AND DECEMBER 31, 2009

December 31, 2017		
Employer	Employees	Rank
Keystone Local School District	201	1
Keystone Pointe	148	2
West Roofing Systems, Inc.	75	3
Rural Lorain County Water Authority	35	4
Greyhawk Land Holdings, LLC.	53	5
Micron Manufacturing	49	6
SpaceBound, Inc.	49	7
Panel Master, LLC.	43	8
LaGrange IGA	34	9
Mader Machine, Inc.	29	10
Total	716	

December 31, 2009		
Employer	Employees	Rank
Keystone Local School District	192	1
Keystone Pointe	160	2
Inservco Insurance Services, Inc.	85	3
West Roofing Systems, Inc.	50	4
Greyhawk Land Holdings, LLC.	40	5
Mader Machine, Inc.	31	6
Micron Manufacturing	30	7
SpaceBound, Inc.	27	8
Varbros, LLC.	23	9
Village of LaGrange	17	10
Total	655	

Source: Individual employers.

Note: Information was unavailable at December 31, 2008.

Information related to total employment within the District was unavailable at both December 31, 2017 and December 31, 2009. Therefore, the above totals by employer could not be expressed as a percentage of total employment.

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

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

Type	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Office - administrative	12.00	13.00	12.00	13.00	12.50	11.20	10.25	12.02	11.86	12.02
Professional - educational	96.50	97.90	96.00	94.92	101.56	101.30	103.85	102.31	107.19	98.51
Professional - other	6.00	15.02	19.18	21.32	18.27	20.05	21.64	13.67	15.52	15.55
Technical	4.00	5.43	4.93	4.93	3.93	1.00	1.00	1.00	1.00	1.00
Office - clerical	24.48	10.74	11.74	10.74	10.74	10.74	12.65	13.35	13.35	13.36
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	34.75	46.31	40.82	37.81	37.39	37.64	39.50	34.72	35.65	35.35
Total	178.73	189.40	185.67	183.72	185.39	182.93	189.89	178.07	185.57	176.79
Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular	76.50	77.50	77.00	76.00	76.00	75.00	79.50	77.31	81.89	79.31
Special	18.50	17.00	17.00	13.85	17.56	17.49	14.54	14.00	14.30	12.20
Vocational	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Support services:										
Pupil	5.04	8.32	7.00	7.00	7.50	8.31	11.31	7.00	7.00	6.00
Instructional staff	13.65	20.20	19.18	21.32	18.70	17.55	19.14	17.53	19.38	19.55
Administration	21.27	23.74	22.07	22.74	22.24	20.94	21.90	19.65	19.49	16.53
Fiscal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations and maintenance	12.80	13.13	12.13	11.50	12.63	12.13	12.13	12.00	12.60	12.00
Pupil transportation	14.30	12.81	12.46	13.09	13.79	13.75	13.51	13.36	13.69	13.91
Central	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operation of non-instructional services:										
Food service operations	7.34	6.27	8.90	8.25	8.04	8.70	9.21	8.76	8.76	8.69
Other non-instructional	5.83	5.43	4.93	4.97	3.93	4.06	3.65	3.46	3.46	3.60
Total	178.73	189.40	185.67	183.72	185.39	182.93	189.89	178.07	185.57	176.79

Source: District records.

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

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:										
Regular and special										
Enrollment (students)	1,553	1,556	1,584	1,585	1,699	1,666	1,697	1,685	1,703	1,750
Graduates	128	129	125	124	142	127	137	132	138	142
Support services:										
Board of education										
Regular meetings per year	13	13	16	22	22	23	22	19	22	23
Special meetings per year	8	1	1	10	3	-	4	6	6	2
Fiscal										
Nonpayroll checks issued	2,515	2,571	2,416	2,375	2,879	2,689	2,622	2,513	2,563	2,961
Operations and maintenance										
Square footage maintained	394,528	394,528	308,518	308,518	311,518	311,518	252,370	249,370	249,370	249,370
Pupil transportation										
Average students transported daily (a)	658	660	666	691	682	678	674	642	647	701
Food service operations										
Meals served to students	102,707	103,623	139,180	128,021	123,596	120,147	122,412	109,288	109,391	93,460
Number of students with free or reduced lunches	439	484	464	562	505	491	472	463	379	391

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 483,652	\$ 483,652	\$ 521,816	\$ 521,816
Construction in progress	178,359	-	-	19,585,236
Land improvements	1,842,578	1,788,743	1,985,768	2,141,917
Buildings and improvements	39,847,414	40,720,263	42,311,648	22,964,019
Furniture and equipment	400,780	530,173	677,116	311,474
Vehicles	481,147	248,819	192,995	246,187
Total governmental activities capital assets, net	<u>\$ 43,233,930</u>	<u>\$ 43,771,650</u>	<u>\$ 45,689,343</u>	<u>\$ 45,770,649</u>

Source: School District financial records.

2014	2013	2012	2011	2010	2009
\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816	\$ 521,816
6,126,383	891,987	6,988,082	695,396	-	1,364,921
2,309,837	2,477,758	2,645,679	2,704,100	2,856,413	1,632,370
23,894,921	24,776,211	13,792,480	14,292,785	14,803,729	15,358,091
437,877	576,162	520,826	634,566	326,363	305,854
230,968	270,613	339,719	331,000	375,919	284,523
<u>\$ 33,521,802</u>	<u>\$ 29,514,547</u>	<u>\$ 24,808,602</u>	<u>\$ 19,179,663</u>	<u>\$ 18,884,240</u>	<u>\$ 19,467,575</u>

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

**SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Keystone High School (2006)				
Square feet	106,884	106,884	106,884	106,884
Capacity (students)	625	625	625	625
Enrollment	535	573	537	532
Keystone Middle School (1964)				
Square feet	85,390	85,390	85,390	85,390
Capacity (students)	440	440	440	440
Enrollment	(a)	(a)	(a)	(a)
Keystone Middle School (2013)				
Square feet	59,148	59,148	59,148	59,148
Capacity (students)	370	370	370	370
Enrollment	348	370	366	392
Keystone Elementary School (1891)				
Square feet	57,096	57,096	57,096	57,096
Capacity (students)	381	381	381	381
Enrollment	(b)	(b)	(b)	661
Keystone Elementary School (2016)				
Square feet	86,010	86,010	86,010	(b)
Capacity (students)	708	708	708	(b)
Enrollment	670	613	681	(b)
 Total enrollment by year	 1,553	 1,556	 1,584	 1,585

Source: District records.

Notes: Year of original construction is in parentheses.

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

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

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
106,884	106,884	106,884	106,884	106,884	106,884
625	625	625	625	625	625
585	574	579	578	588	599
85,390	85,390	85,390	85,390	85,390	85,390
440	440	440	440	440	440
(a)	(a)	547	559	544	540
59,148	59,148	(a)	(a)	(a)	(a)
370	370	(a)	(a)	(a)	(a)
397	400	(a)	(a)	(a)	(a)
57,096	57,096	57,096	57,096	57,096	57,096
381	381	381	381	381	381
717	692	571	548	571	589
(b)	(b)	(b)	(b)	(b)	(b)
(b)	(b)	(b)	(b)	(b)	(b)
(b)	(b)	(b)	(b)	(b)	(b)
1,699	1,666	1,697	1,685	1,703	1,728

**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)			
2018	17,534,460	11,291	10,173,349	6,551	1,553	-0.19%	98	15.85
2017	16,492,290	10,599	18,414,005	11,834	1,556	-1.77%	98	15.88
2016	16,742,927	10,570	16,432,090	10,374	1,584	-0.06%	96	16.50
2015	29,402,437	18,550	16,772,849	10,582	1,585	-6.71%	98	16.17
2014	22,380,421	13,173	18,294,718	10,768	1,699	1.98%	112	15.17
2013	22,185,249	13,316	17,372,942	10,428	1,666	-1.83%	111	15.01
2012	22,536,829	13,280	16,913,725	9,967	1,697	0.71%	108	15.71
2011	16,919,838	10,041	16,493,230	9,788	1,685	-1.06%	106	15.90
2010	15,816,975	9,288	16,327,439	9,587	1,703	-1.45%	109	15.62
2009	16,788,481	9,716	15,825,639	9,158	1,728	-1.03%	108	16.00

Source: School District financial records.

Notes:

(a) Debt Service totals have been excluded.

(b) Enrollment figures are taken from District records.

OHIO AUDITOR OF STATE KEITH FABER



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 7, 2019**