



Mary Taylor, CPA
Auditor of State

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Frontier Local School District
Washington County
44870 State Route 7
New Matamoras, Ohio 45767

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Local School District, Washington County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier Local School District, Washington County, Ohio, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 18, 2009

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Frontier 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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$182,995 which represents a 0.90% increase from 2007.
- General revenues accounted for \$7,466,412 in revenue or 74.36% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,575,026 or 25.64% of total revenues of \$10,041,438.
- The District had \$9,858,443 in expenses related to governmental activities; \$2,575,026 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,466,412 were adequate to provide for these programs.
- The District's major governmental funds are the General Fund and the Classroom Facilities Fund. The General Fund had \$6,955,769 in revenues and other financing sources and \$6,974,710 in expenditures. During fiscal year 2008, the General Fund's fund balance decreased \$18,941 from \$220,633 to \$201,692.
- Another of the District's major governmental funds is the Classroom Facilities Fund. The Classroom Facilities Fund had \$1,289,439 in revenues and \$1,770,543 in expenditures. During fiscal year 2008, the Classroom Facilities Fund's fund balance decreased \$481,104 from \$1,797,348 to \$1,316,244.

Using these Basic Financial Statements

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

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Classroom Facilities Fund.

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 than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical and prescription self-insurance from fiscal year 2007. The basic proprietary fund financial statements can be found on pages 20-21 of this report.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-50 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007. The net assets for the District were restated as described in Note 3.B to the basic financial statements.

	Net Assets	
	Governmental Activities 2008	(Restated) Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 4,095,484	\$ 4,945,171
Capital assets, net	<u>21,340,668</u>	<u>20,395,528</u>
Total assets	<u>25,436,152</u>	<u>25,340,699</u>
<u>Liabilities</u>		
Current liabilities	2,301,304	2,460,919
Long-term liabilities	<u>2,731,398</u>	<u>2,659,325</u>
Total liabilities	<u>5,032,702</u>	<u>5,120,244</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	19,333,352	18,377,535
Restricted	1,882,994	2,492,409
Unrestricted (deficit)	<u>(812,896)</u>	<u>(649,489)</u>
Total net assets	<u>\$ 20,403,450</u>	<u>\$ 20,220,455</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$20,403,450. Of this total, \$1,882,994 is restricted in use.

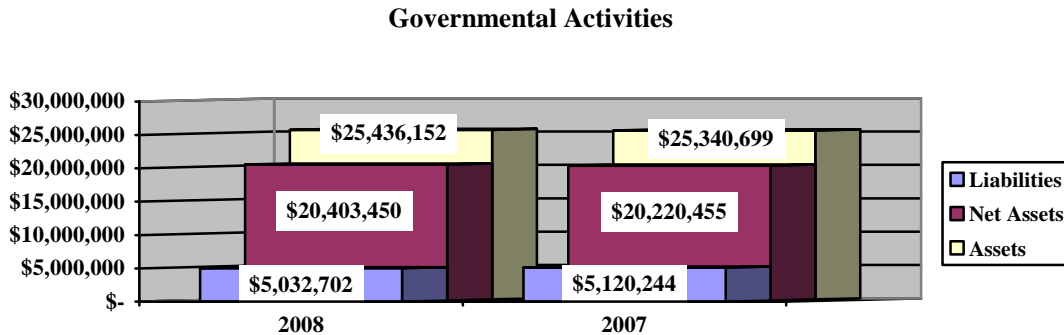
**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At year-end, capital assets represented 83.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$19,333,352. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,882,994, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$812,896.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 405,021	\$ 393,286
Operating grants and contributions	2,148,042	2,285,567
Capital grants and contributions	21,963	28,652
General revenues:		
Property taxes	1,423,719	1,478,515
Grants and entitlements	6,006,894	6,482,746
Investment earnings	21,094	15,226
Other	<u>14,705</u>	<u>10,185</u>
Total revenues	<u>10,041,438</u>	<u>10,694,177</u>

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,257,228	\$ 4,168,707
Special	941,362	701,587
Vocational	247,393	273,032
Adult continuing	26,238	-
Support services:		
Pupil	432,207	478,142
Instructional staff	215,169	327,307
Board of education	58,325	42,551
Administration	880,855	881,844
Fiscal	287,603	264,588
Business	58	-
Operations and maintenance	989,601	935,524
Pupil transportation	777,532	702,100
Central	17,578	14,401
Food service operations	417,845	390,202
Extracurricular activities	180,799	175,626
Interest and fiscal charges	<u>128,650</u>	<u>131,422</u>
Total expenses	<u>9,858,443</u>	<u>9,487,033</u>
Change in net assets	182,995	1,207,144
Net assets at beginning of year (restated)	<u>20,220,455</u>	<u>19,013,311</u>
Net assets at end of year	<u>\$ 20,403,450</u>	<u>\$ 20,220,455</u>

Governmental Activities

Net assets of the District's governmental activities increased \$182,995. Total governmental expenses of \$9,858,443 were offset by program revenues of \$2,575,026 and general revenues of \$7,466,412. Program revenues supported 26.12% 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 74.00% of total governmental revenue.

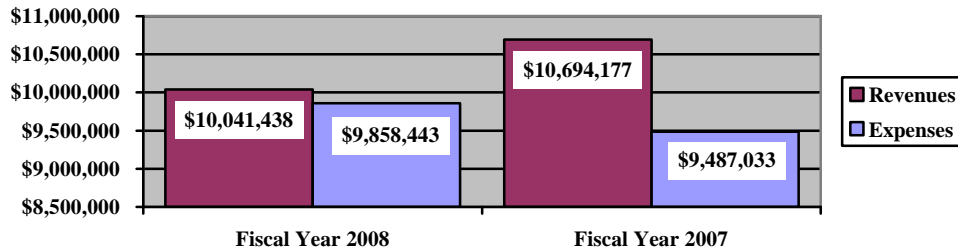
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,472,221 or 55.51% of total governmental expenses for fiscal year 2008.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 4,257,228	\$ 3,403,747	\$ 4,168,707	\$ 3,158,978
Special	941,362	199,753	701,587	117,781
Vocational	247,393	160,974	273,032	195,708
Adult continuing	26,238	26,238	-	-
Support services:				
Pupil	432,207	205,459	478,142	211,652
Instructional staff	215,169	171,001	327,307	164,507
Board of education	58,325	58,321	42,551	42,538
Administration	880,855	789,429	881,844	800,999
Fiscal	287,603	273,464	264,588	248,953
Business	58	58	-	-
Operations and maintenance	989,601	986,932	935,524	935,134
Pupil transportation	777,532	734,179	702,100	657,282
Central	17,578	12,578	14,401	9,401
Food service operations	417,845	23,699	390,202	3,211
Extracurricular activities	180,799	108,935	175,626	101,962
Interest and fiscal charges	128,650	128,650	131,422	131,422
Total expenses	\$ 9,858,443	\$ 7,283,417	\$ 9,487,033	\$ 6,779,528

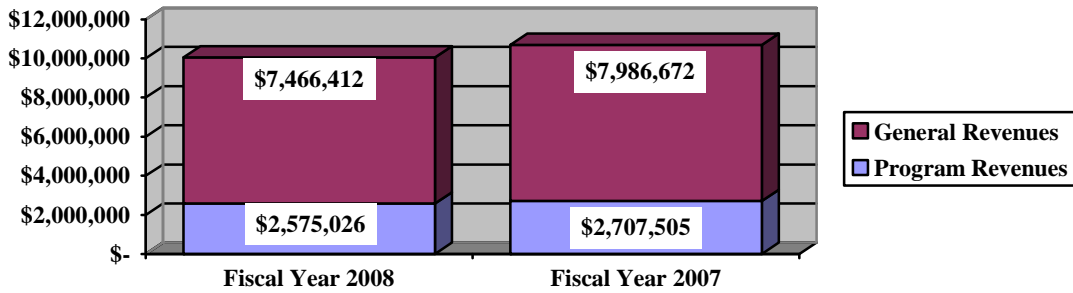
The dependence upon tax and other general revenues for governmental activities is apparent, 69.27% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.88%.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,636,436, which is lower than last year's total of \$2,170,211. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Decrease	Percentage Change
General	\$ 201,692	\$ 220,633	\$ (18,941)	(8.58) %
Classroom Facilities	1,316,244	1,797,348	(481,104)	(26.77) %
Other Governmental	<u>118,500</u>	<u>152,230</u>	<u>(33,730)</u>	(22.16) %
Total	<u>\$ 1,636,436</u>	<u>\$ 2,170,211</u>	<u>\$ (533,775)</u>	(24.60) %

An analysis of the General Fund revenues and expenditures is provided in the section below. The decrease in the fund balances of the other governmental funds is primarily due to a \$17,106 decrease in the fund balance of the miscellaneous federal grants fund. The decrease was a result of decreasing revenues in the miscellaneous federal grants fund. Further more the miscellaneous State grants fund balance decreased \$5,315 as result of decreased grant revenues.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

General Fund

The District's General Fund balance decreased \$18,941. The table that follows assists in illustrating the financial activities of the General Fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,220,462	\$ 1,213,010	\$ 7,452	0.61 %
Tuition	217,050	197,455	19,595	9.92 %
Earnings on investments	12,655	14,209	(1,554)	(10.94) %
Intergovernmental	5,353,937	5,196,881	157,056	3.02 %
Other revenues	<u>36,575</u>	<u>37,515</u>	<u>(940)</u>	<u>(2.51) %</u>
Total	<u>\$ 6,840,679</u>	<u>\$ 6,659,070</u>	<u>\$ 181,609</u>	<u>2.73 %</u>
<u>Expenditures</u>				
Instruction	\$ 3,715,169	\$ 3,464,609	\$ 250,560	7.23 %
Support services	3,050,013	3,083,839	(33,826)	(1.10) %
Extracurricular activities	75,649	79,732	(4,083)	(5.12) %
Facilities acquisition and construction	1,300	1,540	(240)	(15.58) %
Capital outlay	91,689	-	91,689	100.00 %
Debt service	<u>40,890</u>	<u>24,570</u>	<u>16,320</u>	<u>66.42 %</u>
Total	<u>\$ 6,974,710</u>	<u>\$ 6,654,290</u>	<u>\$ 320,420</u>	<u>4.82 %</u>

The District's earnings on investments decreased in 2008 due to a reduction of interest earning accounts held by the District. Capital outlay and debt service both increased due to a new capital lease.

Classroom Facilities Fund

Another of the District's major governmental funds is the Classroom Facilities Fund. The Classroom Facilities Fund had \$1,289,439 in revenues and \$1,770,543 in expenditures. During fiscal year 2008, the Classroom Facilities Fund's fund balance decreased \$481,104 from \$1,797,348 to \$1,316,244.

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.

During the course of fiscal year 2008, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues and other financing sources was \$6,775,450 and the final budgeted revenues and other financing sources was \$6,908,250. Actual revenues and other financing sources for fiscal year 2008 was \$6,923,924. This represents a \$15,674 increase from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$6,990,330 were increased to \$7,127,259 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$6,991,438, which was \$135,821 less than the final budget appropriations.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$21,340,668 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 169,230	\$ 169,230
Land improvements	821,023	867,541
Building and improvements	19,856,650	18,828,984
Furniture and equipment	372,950	347,248
Vehicles	120,815	182,525
 Total	 \$ 21,340,668	 \$ 20,395,528

The overall increase in capital assets of \$945,140 is due to capital outlays of \$1,861,768 exceeding depreciation expense of \$916,628 in the fiscal year.

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

Debt Administration

At June 30, 2008, the District had \$1,740,000 in general obligation bonds, \$174,000 in energy conservation notes and \$93,316 in capital lease obligations outstanding. Of this total, \$101,543 is due within one year and \$1,905,773 is due in greater than one year. The following table summarizes the bonds, notes and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2008	2007
General obligation bonds	\$ 1,740,000	\$ 1,790,000
Energy conservation notes	174,000	193,000
Capital lease obligation	93,316	34,993
 Total	 \$ 2,007,316	 \$ 2,017,993

At June 30, 2008, the District's overall legal debt margin was \$3,351,082, and an unvoted debt margin of \$54,610.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Current Financial Related Activities

The Frontier Local School District has been proactive in order to maintain the highest standards of service to our students, parents and community members. The District is always being presented with challenges and opportunities. While Frontier Local is very much State Funded, over 75%, we are very limited in controlling our future.

The District is made up of 40% Wayne National Forest. Because Ohio school districts rely on property taxes for support, Wayne National Forest neighbors have often claimed that the National Forest's presence reduces school district funding. It also alienates the district in receiving any commercial development. The Frontier Local School District is constantly monitoring the Wayne and will seek ways of extracting additional revenue which is being received by hunting and fishing.

Declining enrollment over the past 10 years is a trend that has received, and will continue to receive, the attention of the Board and Administration. Reduced student counts lead to staffing cuts, excess building capacity, and less State funding. Each of these factors significantly causes a negative impact on the operations of the District.

The District received an OSFC project for buildings in 2002. The appearance of our new buildings are pleasant to the eye, however, many new challenges are now being discovered. Electric and gas consumptions have increased significantly and add to the expenditures which in the past were not present. It has been six years since construction, HVAC issues remain as the priority to correct as most other fixes to the buildings have been completed.

Expenditures have exceeded revenues for the past 2 years. Fiscal year 2009 sees a decrease in health insurance expense, which projects the district to not have deficit spending.

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: Mr. Franklin Antill, Treasurer, 44870 State Route 7, New Matamoras, Ohio, 45767-6149.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,352,938
Cash in segregated accounts	1,183
Receivables:	
Taxes	1,495,713
Accounts.	4,548
Intergovernmental.	234,139
Accrued interest.	10
Materials and supplies inventory	6,953
Capital assets:	
Land	169,230
Depreciable capital assets, net	21,171,438
Capital assets, net.	<u>21,340,668</u>
 Total assets.	 <u>25,436,152</u>
Liabilities:	
Accounts payable.	16,504
Accrued wages and benefits	611,030
Pension obligation payable	177,841
Intergovernmental payable	44,972
Unearned revenue.	1,450,957
Long-term liabilities:	
Due within one year.	135,266
Due within more than one year	2,596,132
 Total liabilities	 <u>5,032,702</u>
Net Assets:	
Invested in capital assets, net of related debt.	19,333,352
Restricted for:	
Capital projects	1,318,662
Debt service.	177,735
Classroom facilities maintenance	73,251
Locally funded programs	5
State funded programs	30,497
Federally funded programs	115,557
Student activities	12,872
Other purposes	154,415
Unrestricted (deficit)	<u>(812,896)</u>
 Total net assets	 <u>\$ 20,403,450</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,257,228	\$ 238,754	\$ 602,727	\$ 12,000	\$ (3,403,747)
Special	941,362	-	741,609	-	(199,753)
Vocational	247,393	-	86,419	-	(160,974)
Adult/continuing	26,238	-	-	-	(26,238)
Support services:					
Pupil	432,207	-	226,748	-	(205,459)
Instructional staff	215,169	162	44,006	-	(171,001)
Board of education	58,325	4	-	-	(58,321)
Administration	880,855	-	91,426	-	(789,429)
Fiscal	287,603	-	14,139	-	(273,464)
Business	58	-	-	-	(58)
Operations and maintenance	989,601	-	2,669	-	(986,932)
Pupil transportation	777,532	-	33,390	9,963	(734,179)
Central	17,578	-	5,000	-	(12,578)
Food service operations	417,845	103,287	290,859	-	(23,699)
Extracurricular activities	180,799	62,814	9,050	-	(108,935)
Interest and fiscal charges	128,650	-	-	-	(128,650)
Total governmental activities	\$ 9,858,443	\$ 405,021	\$ 2,148,042	\$ 21,963	(7,283,417)

General Revenues:

Property taxes levied for:	
General purposes	1,230,432
Special revenue	21,542
Debt service	171,745
Grants and entitlements not restricted to specific programs	4,893,220
Grants and entitlements restricted for Ohio School Facilities Project	1,113,674
Investment earnings	21,094
Miscellaneous	14,705
Total general revenues	7,466,412
Change in net assets	182,995
Net assets at beginning of year (restated)	20,220,455
Net assets at end of year	\$ 20,403,450

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 498,741	\$ 1,316,708	\$ 387,419	\$ 2,202,868
Cash in segregated accounts.	-	-	1,183	1,183
Receivables:				
Taxes	1,283,638	-	212,075	1,495,713
Accounts	4,130	-	418	4,548
Intergovernmental	11,967	-	222,172	234,139
Accrued interest	10	-	-	10
Interfund receivable	19,578	-	-	19,578
Loans to other funds	220,677	-	-	220,677
Materials and supplies inventory	-	-	6,953	6,953
Restricted assets:				
Equity in pooled cash and cash equivalents	150,070	-	-	150,070
Total assets	<u>\$ 2,188,811</u>	<u>\$ 1,316,708</u>	<u>\$ 830,220</u>	<u>\$ 4,335,739</u>
Liabilities:				
Accounts payable	\$ 14,537	\$ 464	\$ 1,503	\$ 16,504
Accrued wages and benefits	494,763	-	116,267	611,030
Compensated absences payable	20,303	-	-	20,303
Pension obligation payable.	153,500	-	24,341	177,841
Intergovernmental payable.	37,104	-	7,868	44,972
Interfund payable.	-	-	19,578	19,578
Loans from other funds	-	-	220,677	220,677
Deferred revenue.	22,531	-	114,910	137,441
Unearned revenue.	1,244,381	-	206,576	1,450,957
Total liabilities	<u>1,987,119</u>	<u>464</u>	<u>711,720</u>	<u>2,699,303</u>
Fund Balances:				
Reserved for encumbrances	60,946	536	23,776	85,258
Reserved for materials and supplies inventory.	-	-	6,953	6,953
Reserved for debt service.	-	-	172,891	172,891
Reserved for property tax unavailable for appropriation	23,564	-	3,716	27,280
Reserved for budget stabilization	26,084	-	-	26,084
Reserved for textbooks	88,777	-	-	88,777
Reserved for bus allowance	35,209	-	-	35,209
Reserved for loans.	220,677	-	-	220,677
Unreserved:				
Designated for textbooks and capital improvements	4,345	-	-	4,345
Undesignated (deficit), reported in:				
General fund	(257,910)	-	-	(257,910)
Special revenue funds.	-	-	(91,254)	(91,254)
Capital projects funds.	-	1,315,708	2,418	1,318,126
Total fund balances	<u>201,692</u>	<u>1,316,244</u>	<u>118,500</u>	<u>1,636,436</u>
Total liabilities and fund balances	<u>\$ 2,188,811</u>	<u>\$ 1,316,708</u>	<u>\$ 830,220</u>	<u>\$ 4,335,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$	1,636,436
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,340,668
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	17,476	
Intergovernmental receivable		119,965	
Total			137,441
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		703,779	
General obligation bonds payable		1,740,000	
Energy conservation notes payable		174,000	
Capital lease obligation payable		93,316	
Total			(2,711,095)
Net assets of governmental activities		\$	20,403,450

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 1,220,462	\$ -	\$ 192,447	\$ 1,412,909
Tuition.	217,050	-	-	217,050
Charges for services.	-	-	103,287	103,287
Earnings on investments.	12,655	8,439	-	21,094
Extracurricular.	-	-	62,814	62,814
Classroom materials and fees	21,704	-	-	21,704
Other local revenues.	14,871	-	9,050	23,921
Intergovernmental - Intermediate.	52,636	-	21,750	74,386
Intergovernmental - State.	5,301,301	1,281,000	121,768	6,704,069
Intergovernmental - Federal	-	-	1,538,767	1,538,767
Total revenues.	<u>6,840,679</u>	<u>1,289,439</u>	<u>2,049,883</u>	<u>10,180,001</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,865,478	-	630,355	3,495,833
Special.	579,794	-	354,380	934,174
Vocational.	269,897	-	4,011	273,908
Support services:				
Pupil.	208,984	-	221,689	430,673
Instructional staff	158,690	-	38,868	197,558
Board of education	58,325	-	-	58,325
Administration.	764,393	-	78,847	843,240
Fiscal	259,727	-	17,084	276,811
Business	58	-	-	58
Operations and maintenance.	908,716	-	64,822	973,538
Pupil transportation	678,718	-	456	679,174
Central.	12,402	-	4,944	17,346
Food service operations	-	-	397,926	397,926
Extracurricular activities.	75,649	-	80,105	155,754
Facilities acquisition and construction	1,300	1,770,543	-	1,771,843
Capital outlay	91,689	-	-	91,689
Debt service:				
Principal retirement	33,366	-	69,000	102,366
Interest and fiscal charges	7,524	-	121,126	128,650
Total expenditures	<u>6,974,710</u>	<u>1,770,543</u>	<u>2,083,613</u>	<u>10,828,866</u>
Deficiency of revenues under expenditures	<u>(134,031)</u>	<u>(481,104)</u>	<u>(33,730)</u>	<u>(648,865)</u>
Other financing sources:				
Transfers in	23,401	-	-	23,401
Capital lease transaction	91,689	-	-	91,689
Total other financing sources	<u>115,090</u>	<u>-</u>	<u>-</u>	<u>115,090</u>
Net change in fund balances	(18,941)	(481,104)	(33,730)	(533,775)
Fund balances at beginning of year	<u>220,633</u>	<u>1,797,348</u>	<u>152,230</u>	<u>2,170,211</u>
Fund balances at end of year.	<u>\$ 201,692</u>	<u>\$ 1,316,244</u>	<u>\$ 118,500</u>	<u>\$ 1,636,436</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON 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, 2008

Net change in fund balances - total governmental funds \$ (533,775)

*Amounts reported for governmental activities in the
statement of activities are different because:*

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. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$	1,861,768	
Current year depreciation		(916,628)	
Total			945,140

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		10,810	
Intergovernmental		(149,373)	
Total			(138,563)

Repayment of bond, note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 102,366

Capital lease transactions are recorded as an other financing source in the funds, however in the statement of activities, it is not reported as revenue as it increases the liabilities on the statement of net assets. (91,689)

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. (62,447)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (38,037)

Change in net assets of governmental activities \$ 182,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 1,198,915	\$ 1,222,413	\$ 1,221,046	\$ (1,367)
Tuition.	217,050	217,050	217,050	-
Earnings on investments.	12,426	12,670	12,656	(14)
Classroom materials and fees	21,152	21,567	21,543	(24)
Other local revenues	14,906	15,198	15,181	(17)
Intergovernmental - Intermediate	51,758	52,772	52,713	(59)
Intergovernmental - State	5,196,245	5,302,347	5,296,173	(6,174)
Total revenues.	<u>6,712,452</u>	<u>6,844,017</u>	<u>6,836,362</u>	<u>(7,655)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,800,242	2,855,095	2,839,808	15,287
Special.	561,512	572,511	566,891	5,620
Vocational.	282,003	287,527	271,309	16,218
Support services:				
Pupil.	212,610	216,775	204,637	12,138
Instructional staff	192,797	196,574	175,439	21,135
Board of education	93,078	94,901	91,989	2,912
Administration.	795,385	810,965	777,539	33,426
Fiscal	262,926	268,076	261,494	6,582
Business	57	58	58	-
Operations and maintenance.	959,928	978,731	932,986	45,745
Pupil transportation	730,139	744,441	721,831	22,610
Central.	16,696	17,023	12,701	4,322
Extracurricular activities.	81,388	82,982	70,738	12,244
Facilities acquisition and construction.	1,569	1,600	1,300	300
Total expenditures	<u>6,990,330</u>	<u>7,127,259</u>	<u>6,928,720</u>	<u>198,539</u>
Deficiency of revenues under expenditures	<u>(277,878)</u>	<u>(283,242)</u>	<u>(92,358)</u>	<u>190,884</u>
Other financing sources (uses):				
Refund of prior year expenditure.	20,640	21,045	21,021	(24)
Advances in.	42,358	43,188	43,140	(48)
Advances (out)	-	-	(62,718)	(62,718)
Transfer in.	-	-	23,401	23,401
Total other financing sources (uses)	<u>62,998</u>	<u>64,233</u>	<u>24,844</u>	<u>(39,389)</u>
Net change in fund balance	(214,880)	(219,009)	(67,514)	151,495
Fund balance at beginning of year.	593,235	593,235	593,235	-
Prior year encumbrances appropriated	46,709	46,709	46,709	-
Fund balance at end of year	<u>\$ 425,064</u>	<u>\$ 420,935</u>	<u>\$ 572,430</u>	<u>\$ 151,495</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating expenses:	
Other operating expense.	\$ 14,636
Total operating expenses	14,636
Loss before transfers.	(14,636)
Transfer out.	(23,401)
Change in net assets	(38,037)
Net assets at beginning of year	38,037
Net assets at end of year.	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash payments for other expenses.	\$ (14,636)
Cash payments for claims expenses.	(185,208)
Net cash used in operating activities	<u>(199,844)</u>
Cash flows from noncapital financing activities:	
Cash payment for transfers out.	<u>(23,401)</u>
Net cash used in noncapital financing activities.	<u>(23,401)</u>
Net increase in cash and cash equivalents	(223,245)
Cash and cash equivalents at beginning of year . . .	<u>223,245</u>
Cash and cash equivalents at end of year.	<u><u>\$ -</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,636)
Changes in assets and liabilities: Decrease in claims payable.	<u>(185,208)</u>
Net cash used in operating activities.	<u><u>\$ (199,844)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 22,433
Total assets.	\$ 22,433
Liabilities:	
Accounts payable.	\$ 486
Intergovernmental payable	2
Due to students	21,945
Total liabilities	\$ 22,433

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Frontier Local School District (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 a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. This Board controls the District's four instructional/support facilities staffed by 43 classified employees, 72 certified full time teaching personnel and 5 administrators, who provide services to 887 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. 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, foods 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. 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).

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), 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 participating school districts pay an enrollment fee to the GRP to cover the cost of administering the GRP. Refer to Note 11.B. for further information on this group rating program.

JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative (SEOVEC) - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 36 participants consisting of 28 school districts and 8 educational service centers. SEOVEC is governed by a Governing Board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2008, the District paid \$28,991 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

Washington County Career Center - The Washington County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected Boards and one representative from the Washington County Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Janine Satterfield, Treasurer, 21740 State Route 676, Marietta, Ohio 45750.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or a financial responsibility for the Coalition. During fiscal year 2008, the District paid \$315 in membership dues to the Coalition.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

INSURANCE PURCHASING POOL

Portage Area School Consortium - The Portage Area School Consortium (the "Consortium") is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in Columbiana, Portage and Mahoning counties. The Consortium is a stand alone entity, comprised of two stand-alone Pools: the Portage County School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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 and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds, (b) for the accumulation of resources for, and payment of, general long-term debt, principal, interest and related costs, (c) for grants and other resources whose use is restricted to a particular purpose and (d) for food service operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and prescription benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency 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 Districts has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange 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).

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure 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 District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

1. 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Washington County Budget Commission for tax rate determination.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

3. Prior to 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 June 30, 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 a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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 Cash Equivalents" on the basic financial statements.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2008. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to specific funds. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$12,655, which includes \$8,256 assigned from other funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”, and receivables and payables resulting from long-term interfund loans are classified as “loans to/from other funds.” These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences is 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 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 severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least 15 years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, property tax revenue unavailable for appropriation, budget stabilization, textbooks, bus allowance, loans and fund balance has been designated for textbooks and capital improvements. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$1,882,994 of restricted net assets, of which none are restricted by enabling legislation. The amount restricted for other purposes represents amounts restricted by State statute for budget stabilization, textbooks and school bus purchases.

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

N. 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.

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set-aside to establish reserves for budget stabilization, textbooks and school bus purchases. A schedule of statutory reserves is presented in Note 16.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

P. Interfund Activity

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

Q. 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 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Assets

Net assets of the internal service fund and governmental activities have been restated to correct the amount of claims payable at June 30, 2007. The adjustment for claims payable had the following effect on fund balances as previously reported at June 30, 2007:

	Internal Service Fund	Governmental Activities
Net assets, June 30, 2007	\$ (4,958)	\$ 20,177,460
Adjustment for claims liability	42,995	42,995
Restated net assets, June 30, 2007	\$ 38,037	\$ 20,220,455

C. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 196,558
Uniform school supplies	1,011
Professional development	454
EMIS	14
DPIA	16,513
Poverty aid	2,467
Title VI-B	1,449
Title I	6,274
Title VI-R	1,603

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 market 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash in Segregated Accounts

At fiscal year-end, \$1,183 was on deposit in the District’s athletic officials clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the balance sheet and statement of net assets it is reported on the balance sheet and statement of net assets as “Cash in Segregated Accounts”.

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$2,374,533. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$2,275,179 of the District’s bank balance of \$2,475,179 was exposed to custodial risk because it was uninsured and uncollateralized as discussed below, while \$200,000 was covered by the FDIC.

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

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAROhio	\$ 2,021	\$ 2,021

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAROhio an AAAM money market rating.

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 investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAROhio	\$ 2,021	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,374,533
Investments	2,021
Total	<u>\$ 2,376,554</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,354,121
Agency funds	22,433
Total	<u>\$ 2,376,554</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Long-term interfund loans consisted of the following loans to/from other funds for the year ended June 30, 2008, as reported on the fund financial statements:

<u>Loans from</u>	<u>Loans to</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 220,677

The primary purpose of the loans to/from other funds 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. Loans to/from other funds are not expected to be repaid within one year.

Balances between governmental funds are eliminated on the statement of net assets.

- B.** Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 19,578

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the statement of net assets.

- C. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfer to General Fund from:</u>	
Internal service fund	\$ 23,401

The transfer from the internal service fund to the General Fund was made to transfer the remaining cash fund balance of the internal service fund to the General Fund as the internal service fund is no longer being used because the District switched from self-insurance to a fully insured consortium for health insurance during 2008. See Note.11.C for details.

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

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Washington 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$23,564 in the General Fund, \$422 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund) and \$3,294 in the Debt Service Fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$24,148 in the General Fund, \$472 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund) and \$3,516 in the Debt Service Fund (a nonmajor governmental fund).

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 45,529,090	87.20	\$ 50,737,790	90.15
Public utility personal	4,566,820	8.74	3,872,180	6.88
Tangible personal property	<u>2,117,790</u>	<u>4.06</u>	<u>1,672,670</u>	<u>2.97</u>
Total	<u>\$ 52,213,700</u>	<u>100.00</u>	<u>\$ 56,282,640</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.97		\$38.67	

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables reported on the statement of net assets follows:

<u>Major fund:</u>	
General	\$ 11,967
<u>Nonmajor governmental funds:</u>	
Title VI-B	103,188
Title I	36,911
Drug free schools	7,835
Title VI-R	8,738
Miscellaneous federal grants	<u>65,500</u>
Total	<u>\$ 234,139</u>

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 169,230	\$ -	\$ -	\$ 169,230
Total capital assets, not being depreciated	<u>169,230</u>	<u>-</u>	<u>-</u>	<u>169,230</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,148,308	-	-	1,148,308
Buildings and improvements	23,465,875	1,770,079	-	25,235,954
Furniture and equipment	629,840	91,689	-	721,529
Vehicles	1,269,838	-	-	1,269,838
Total capital assets, being depreciated	<u>26,513,861</u>	<u>1,861,768</u>	<u>-</u>	<u>28,375,629</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(280,767)	(46,518)	-	(327,285)
Buildings and improvements	(4,636,891)	(742,413)	-	(5,379,304)
Furniture and equipment	(282,592)	(65,987)	-	(348,579)
Vehicles	(1,087,313)	(61,710)	-	(1,149,023)
Total accumulated depreciation	<u>(6,287,563)</u>	<u>(916,628)</u>	<u>-</u>	<u>(7,204,191)</u>
Governmental activities capital assets, net	<u>\$ 20,395,528</u>	<u>\$ 945,140</u>	<u>\$ -</u>	<u>\$ 21,340,668</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 761,161
Support Services:	
Instructional staff	16,197
Administration	28,127
Fiscal	413
Pupil transportation	75,750
Food service operations	9,935
Extracurricular activities	<u>25,045</u>
Total depreciation expense	<u>\$ 916,628</u>

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", 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 financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$188,543. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$96,338, leaving a current book value of \$92,205. A corresponding liability was recorded on the statement of net assets. Principal payments in the 2008 fiscal year totaled \$33,366 paid by the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 25,855
2010	21,760
2011	21,760
2012	21,760
2013	<u>5,440</u>
Total minimum lease payments	96,575
Less: Amount representing interest	(12,944)
Add: Amount representing residual value	<u>9,685</u>
Total	<u>\$ 93,316</u>

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/07	Additions	Reductions	Balance Outstanding 06/30/08	Amounts Due in One Year
Governmental activities:						
General obligation bonds	5.45 - 6.5%	\$ 1,790,000	\$ -	\$ (50,000)	\$ 1,740,000	\$ 60,000
Energy conservation note	6.0%	193,000	-	(19,000)	174,000	21,000
Capital lease obligation		34,993	91,689	(33,366)	93,316	20,543
Compensated absences		<u>641,332</u>	<u>125,521</u>	<u>(42,771)</u>	<u>724,082</u>	<u>33,723</u>
Total long-term obligations, governmental activities		<u>\$ 2,659,325</u>	<u>\$ 217,210</u>	<u>\$ (145,137)</u>	<u>\$ 2,731,398</u>	<u>\$ 135,266</u>

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, primarily from the General Fund.

Classroom facilities general obligation bonds - On June 1, 2000, the District issued \$2,049,000 in voted general obligation bonds for the construction of two new elementary schools and improvements to its high school facilities. The bonds were issued for a 23 year period with final maturity on December 1, 2022. The bonds will be retired from the Debt Service Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 60,000	\$ 107,102	\$ 167,102
2010	65,000	103,649	168,649
2011	70,000	99,886	169,886
2012	80,000	95,326	175,326
2013	90,000	89,801	179,801
2014 - 2018	585,000	345,489	930,489
2019 - 2023	<u>790,000</u>	<u>125,075</u>	<u>915,075</u>
Total	<u>\$ 1,740,000</u>	<u>\$ 966,328</u>	<u>\$ 2,706,328</u>

Energy conservation note - On June 1, 2000, the District issued \$302,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a fifteen year period with final maturity during fiscal year 2014. These notes will be repaid with energy savings. The note liability is reflected in the statement of net assets. The capital improvement fund (a nonmajor governmental fund) received the proceeds.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Energy Conservation Notes outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 21,000	\$ 9,810	\$ 30,810
2010	22,000	8,520	30,520
2011	23,000	7,170	30,170
2012	25,000	5,730	30,730
2013	26,000	4,200	30,200
2014 - 2015	<u>57,000</u>	<u>3,450</u>	<u>60,450</u>
Total	<u>\$ 174,000</u>	<u>\$ 38,880</u>	<u>\$ 212,880</u>

Legal debt margin - 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, 2008, are a voted debt margin of \$3,351,082 (including available funds of \$176,185) and an unvoted debt margin of \$54,610.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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. The District has contracts with Barengo Insurance Agency. The policy includes a \$5,000 deductible for property insurance.

Educator's legal liability and general liability is protected by the Barengo Insurance Agency with a \$1,000,000 single occurrence limit, a \$3,000,000 aggregate limit, and no deductible. Vehicles are covered by Barengo Insurance Agency and hold a \$1,000 deductible for comprehensive and a \$1,000 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Medical, Prescription, Life, Vision and Dental

The District contracts with CoreSource for dental and life insurance and Vision Service Plan for vision insurance.

Effective July 1, 2007, the District became a member of the Portage Area School Consortium (the "Consortium"), a shared risk pool (See Note 2.A), through which a cooperative Health Benefit Program was created for the benefit of its members. In previous years, the District was self-insured. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the District were to withdraw from the pool. If the reserve would not cover such claims, the District would be liable for any costs above the reserve.

Prior to July 1, 2007, the District offered medical and prescription insurance through a self-insurance fund. Fiscal year 2007 amounts have been restated as described in Note 3.B. Changes in the internal service fund's claims liability amounts for fiscal years 2008 and 2007 were as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2008	\$ 185,208	\$ -	\$ (185,208)	\$ -
2007 (restated)	271,000	1,200,387	(1,286,179)	185,208

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$91,880, \$113,332 and \$121,962, respectively; 42.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$52,463 represents the unpaid contribution for fiscal year 2008 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

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

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$414,164, \$418,930, and \$427,167, respectively; 82.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$2,993 made by the District and \$9,276 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$64,143, \$60,137, and \$203,731, respectively; 42.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,620, \$7,707, and \$9,707, respectively; 42.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$31,859, \$32,225, and \$32,859, respectively; 82.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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 a reservation of 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).

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	\$ (67,514)
Net adjustment for revenue accruals	4,317
Net adjustment for expenditure accruals	(122,371)
Net adjustment for other sources/uses	90,246
Adjustment for encumbrances	<u>76,381</u>
GAAP basis	<u>\$ (18,941)</u>

NOTE 15 - CONTINGENCIES

A. 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.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and an equal amount for the acquisition and construction of capital improvements. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside balance as of June 30, 2007	\$ 59,528	\$ (1,437,636)	\$ 26,084
Current year set-aside requirements	135,016	135,016	
Current year off-sets		(24,408)	
Qualifying disbursements	<u>(105,767)</u>	<u>(701)</u>	
Total	<u>\$ 88,777</u>	<u>\$ (1,327,729)</u>	<u>\$ 26,084</u>
Balance carried forward to FY 2009	<u>\$ 88,777</u>	<u>\$ (1,327,729)</u>	<u>\$ 26,084</u>

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 year-end. These amounts must be carried forward to be used for the same purposes in future years. The District had prior year bond proceeds for facilities construction that may be carried forward to offset future set-aside requirements for capital acquisition.

The District has elected to designate \$4,345 for textbooks and capital improvements.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2008 follows:

Amounts restricted for textbook purchases	\$ 88,777
Amounts restricted for BWC refunds	26,084
Amounts restricted for school bus purchases	<u>35,209</u>
Total restricted assets	<u>\$ 150,070</u>

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 8,364	\$	\$ 8,364
Nutrition Cluster:						
School Breakfast Program	10.553	2007	11,686		11,686	
		2008	105,684		105,684	
Total School Breakfast Program			117,370	0	117,370	0
National School Lunch Program	10.555	2007	15,846		15,846	
		2008	152,790		152,790	
Total National School Lunch Program			168,636	0	168,636	0
Total Nutrition Cluster			286,006	0	286,006	0
Total United States Department of Agriculture			286,006	8,364	286,006	8,364
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	2007	21,905		28,600	
		2008	286,766		285,352	
Total Title I Grants to Local Educational Agencies			308,671	0	313,952	0
Special Education - Grants to States	84.027	2007	(5,535)		15,857	
		2008	208,975		201,121	
Total Special Educaton - Grants to States			203,440	0	216,978	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	(2,439)		239	
		2008	5,889		5,267	
Total Safe and Drug-Free Schools and Communities - State Grants			3,450	0	5,506	0
State Grants for Innovative Programs	84.298	2007			1,226	
		2008	1,941		741	
Total State Grants for Innovative Programs			1,941	0	1,967	0
Education Technology State Grants	84.318	2008	2,969		2,969	
Reading First State Grants	84.357	2007	66,404		92,381	
		2008	591,526		581,360	
Total Reading First State Grants			657,930	0	673,741	0
Improving Teacher Quality State Grants	84.367	2007	5,164		6,929	
		2008	74,653		74,256	
Total Improving Teacher Quality State Grants			79,817	0	81,185	0
Total United States Department of Education			1,258,218	0	1,296,298	0
Total Federal Awards Receipts and Expenditures			\$ 1,544,224	\$ 8,364	\$ 1,582,304	\$ 8,364

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D – TRANSFERS

During fiscal year 2008, the Ohio Department of Education (ODE) authorized the District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers is as follows:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.027	Special Education - Grants to States	2007	\$ 14,535	
84.027	Special Education - Grants to States	2008		\$ 14,535
84.186	Safe and Drug-Free Schools and Communities	2007	2,439	
84.186	Safe and Drug-Free Schools and Communities	2008		2,439
		Totals	<u>\$ 16,974</u>	<u>\$ 16,974</u>



Mary Taylor, CPA

Auditor of State

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

Frontier Local School District
Washington County
44870 State Route 7
New Matamoras, Ohio 45767

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Frontier Local School District, Washington County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated February 18, 2009.

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 18, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 18, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Frontier Local School District
Washington County
44870 State Route 7
New Matamoras, Ohio 45767

To the Board of Education:

Compliance

We have audited the compliance of Frontier Local School District, Washington County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. In a separate letter to the District's management dated February 18, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal noncompliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 18, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 18, 2009

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other 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 weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies - CFDA #84.010 Reading First State Grants – CFDA #84.357
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	A noncompliance citation and significant deficiency was issued under Ohio Admin. Code § 117-2-02(A) for not recording a receivable in the amount of \$1,717,326 due from the Ohio School Facilities Commission on their financial statements.	Yes	



Mary Taylor, CPA
Auditor of State

FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON 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
MARCH 24, 2009