



Dave Yost • Auditor of State

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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Dave Yost • 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 the Frontier Local School District, Washington County, Ohio (the District), as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position, 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.

As described in Note 3, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 13, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities decreased \$107,832 which represents a 0.55% decrease from 2010.
- General revenues accounted for \$6,006,652 in revenue or 63.24% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,491,642 or 36.76% of total revenues of \$9,498,294.
- The District had \$9,606,126 in expenses related to governmental activities; \$3,491,642 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,006,652 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$6,559,317 in revenues and \$6,367,683 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$191,634 from a restated balance of \$979,880 to \$1,171,514.
- Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$4,265 in revenues. During fiscal year 2011, the classroom facilities fund's fund balance increased \$4,265 from \$1,000,460 to \$1,004,725.

Using the 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, 2011

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 2011?" 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.

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 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 21-53 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for June 30, 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 5,198,211	\$ 4,783,776
Capital assets, net	<u>19,157,477</u>	<u>19,662,542</u>
Total assets	<u>24,355,688</u>	<u>24,446,318</u>
<u>Liabilities</u>		
Current liabilities	2,388,779	2,323,605
Long-term liabilities	<u>2,554,448</u>	<u>2,602,420</u>
Total liabilities	<u>4,943,227</u>	<u>4,926,025</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	17,459,681	17,871,365
Restricted	1,709,767	1,529,213
Unrestricted	<u>243,013</u>	<u>119,715</u>
Total net assets	<u>\$ 19,412,461</u>	<u>\$ 19,520,293</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$19,412,461. Of this total, \$1,709,767 is restricted in use.

At year-end, capital assets represented 78.66% 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, 2011, were \$17,459,681. 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.

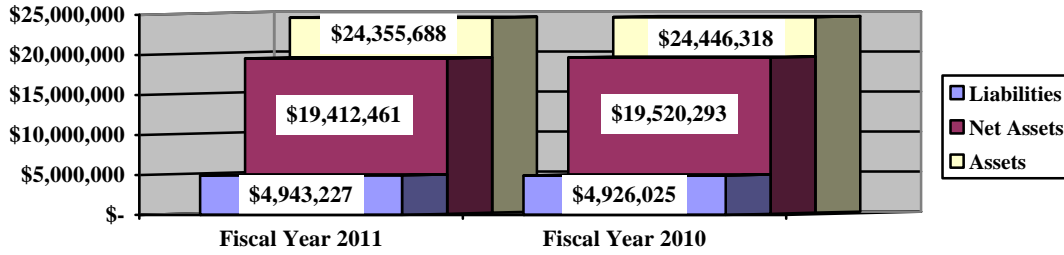
A portion of the District's net assets, \$1,709,767, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$243,013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below illustrates the governmental activities assets, liabilities and net assets as of June 30, 2011 and 2010:

Governmental Activities



The table below shows the change in net assets for fiscal years' ended June 30, 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 303,854	\$ 313,928
Operating grants and contributions	3,187,788	2,273,588
General revenues:		
Property taxes	1,323,531	1,340,461
Grants and entitlements	4,648,313	5,053,737
Investment earnings	13,053	18,818
Other	21,755	8,480
Total revenues	<u>9,498,294</u>	<u>9,009,012</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,125,587	\$ 4,041,058
Special	1,219,077	1,184,255
Vocational	279,337	218,553
Adult continuing	-	13,395
Support services:		
Pupil	216,986	356,549
Instructional staff	166,435	122,169
Board of education	21,060	23,274
Administration	985,774	925,170
Fiscal	277,123	270,703
Operations and maintenance	1,143,547	1,084,512
Pupil transportation	509,648	628,400
Central	10,262	12,015
Operations of non-instructional services		
Food service operations	380,431	189,232
Other non-instructional services	-	187,649
Extracurricular activities	173,119	155,273
Interest and fiscal charges	97,740	116,018
Total expenses	<u>9,606,126</u>	<u>9,528,225</u>
Change in net assets	(107,832)	(519,213)
Net assets at beginning of year	<u>19,520,293</u>	<u>20,039,506</u>
Net assets at end of year	<u>\$ 19,412,461</u>	<u>\$ 19,520,293</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$107,832. Total governmental expenses of \$9,606,126 were offset by program revenues of \$3,491,642 and general revenues of \$6,006,652. Program revenues supported 36.35% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 62.87% of total governmental revenue.

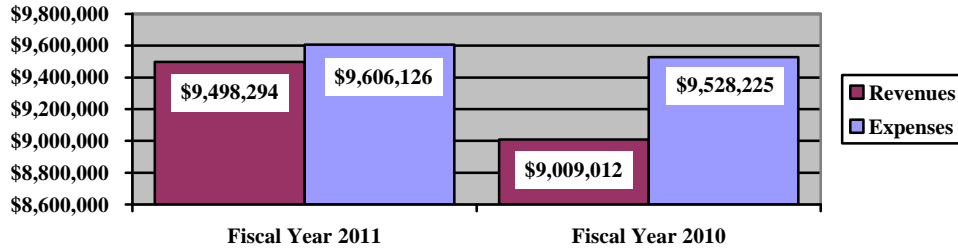
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,624,001 or 58.55% of total governmental expenses for fiscal year 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenue and expenses for fiscal years' ended June 30, 2011 and 2010.

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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 4,125,587	\$ 2,937,877	\$ 4,041,058	\$ 3,266,356
Special	1,219,077	22,295	1,184,255	444,241
Vocational	279,337	184,631	218,553	126,217
Adult continuing	-	-	13,395	13,395
Support services:				
Pupil	216,986	167,930	356,549	280,648
Instructional staff	166,435	113,199	122,169	50,253
Board of education	21,060	21,060	23,274	23,274
Administration	985,774	506,707	925,170	525,393
Fiscal	277,123	277,123	270,703	260,508
Operations and maintenance	1,143,547	1,143,264	1,084,512	1,083,688
Pupil transportation	509,648	467,142	628,400	627,964
Central	10,262	5,262	12,015	7,015
Operations of non-instructional services				
Food service operations	380,431	48,475	189,232	(163,441)
Other non-instructional services	-	-	187,649	187,649
Extracurricular activities	173,119	121,779	155,273	91,531
Interest and fiscal charges	97,740	97,740	116,018	116,018
Total expenses	\$ 9,606,126	\$ 6,114,484	\$ 9,528,225	\$ 6,940,709

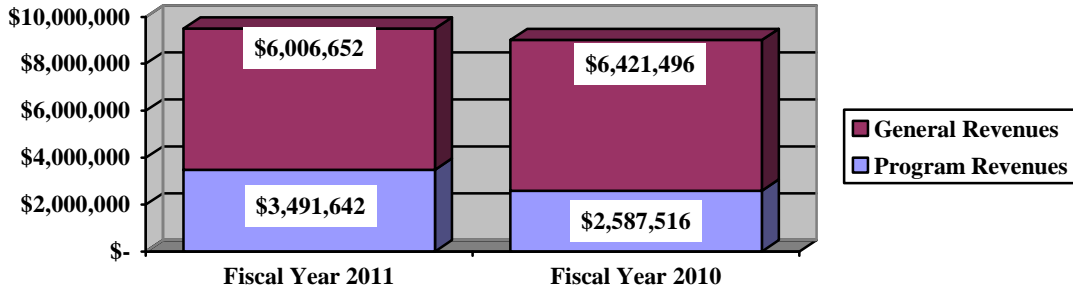
The dependence upon tax and other general revenues for governmental activities is apparent, 55.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 63.65%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue for fiscal years' ended June 30, 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The June 30, 2010 fund balance of the general fund and other governmental funds were restated for fund reclassification required for the implementation of GASB Statement No. 54 (See Note 3.B for detail). The District's governmental funds reported a combined fund balance of \$2,415,272, which is higher than last year's total of \$2,175,298. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	<u>Fund Balance June 30, 2011</u>	<u>Restated Fund Balance June 30, 2010</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,171,514	\$ 979,880	\$ 191,634	19.56 %
Classroom Facilities	1,004,725	1,000,460	4,265	0.43 %
Other Governmental	<u>239,033</u>	<u>194,958</u>	<u>44,075</u>	22.61 %
Total	<u><u>\$ 2,415,272</u></u>	<u><u>\$ 2,175,298</u></u>	<u><u>\$ 239,974</u></u>	11.03 %

An analysis of the general fund revenues and expenditures is provided on the next page.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund

The District's general fund balance increased \$191,634. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,123,192	\$ 1,143,041	\$ (19,849)	(1.74) %
Tuition	158,272	158,675	(403)	(0.25) %
Earnings on investments	8,788	13,346	(4,558)	(34.15) %
Intergovernmental	5,233,777	5,152,620	81,157	1.58 %
Other revenues	<u>35,288</u>	<u>35,504</u>	<u>(216)</u>	(0.61) %
Total	<u>\$ 6,559,317</u>	<u>\$ 6,503,186</u>	<u>\$ 56,131</u>	0.86 %
<u>Expenditures</u>				
Instruction	\$ 3,322,219	\$ 3,396,083	\$ (73,864)	(2.17) %
Support services	2,899,774	2,782,793	116,981	4.20 %
Non-instructional services	-	187,649	(187,649)	100.00 %
Extracurricular activities	77,625	75,051	2,574	3.43 %
Facilities acquisition and construction	1,305	1,205	100	8.30 %
Debt service	<u>21,760</u>	<u>21,760</u>	<u>-</u>	- %
Total	<u>\$ 6,322,683</u>	<u>\$ 6,464,541</u>	<u>\$ (141,858)</u>	(2.19) %

The decrease in earnings on investment revenues was a result of decreasing interest rate due to the weakened economy. Non-instructional services expense decreased in fiscal year 2011 due to an adjustment made by the District in fiscal year 2010 to eliminate long-term advances. The result was an increase in food service operation expenditures in the food service fund (a nonmajor governmental fund) and a decrease in non-instructional services expenditures in the general fund. All other revenues and expenditures remained comparable to the prior year.

Classroom Facilities Fund

Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$4,265 in revenues. During fiscal year 2011, the classroom facilities fund's fund balance increased \$4,265 from \$1,000,460 to \$1,004,725.

General Fund Budgeting Highlights

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

For the general fund, original and final budgeted revenues and other financing sources were \$6,507,500. Actual revenues and other financing sources for fiscal year 2011 was \$6,527,441. This represents a \$19,941 increase from final budgeted revenues.

General fund original appropriations of \$5,999,381 were increased to \$6,593,311 in the final appropriations. The actual budget basis expenditures for fiscal year 2011 totaled \$6,489,975, which was \$103,336 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, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$19,157,477 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 2011 balances compared to 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 169,230	\$ 169,230
Land improvements	681,469	727,987
Building and improvements	17,500,120	18,284,838
Furniture and equipment	235,472	276,131
Vehicles	571,186	204,356
Total	\$ 19,157,477	\$ 19,662,542

The overall decrease in capital assets of \$505,065 is due to depreciation expense of \$942,738 exceeding capital outlays of \$437,673 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, 2011, the District had \$1,543,555 in general obligation bonds, \$108,000 in energy conservation notes and \$25,971 in capital lease obligations outstanding. Of this total, \$135,594 is due within one year and \$1,541,932 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
	2011	2010
General obligation bonds	\$ 1,543,555	\$ 1,615,000
Energy conservation notes	108,000	131,000
Capital lease obligation	25,971	45,177
Total	\$ 1,677,526	\$ 1,791,177

At June 30, 2011, the District's overall legal debt margin was \$4,054,056, and an unvoted debt margin of \$59,485. 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, 2011**

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 the District is very much State funded, it has very limited control of future revenues.

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 Wayne National Forest's presence reduces school district funding. It also alienates the District in receiving any commercial development. The District is constantly monitoring the Wayne National Forest 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 appearances 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. Poor workmanship and inefficient equipment have been nuisances since the project completion. Many years after project completion, we are still struggling with many issues.

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, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,194,479
Cash in segregated accounts	212
Receivables:	
Taxes	1,590,495
Accounts	1,531
Intergovernmental	378,160
Accrued interest	6
Materials and supplies inventory.	9,503
Unamortized bond issuance costs	23,825
Capital assets:	
Land and construction in progress.	169,230
Depreciable capital assets, net.	18,988,247
Capital assets, net	19,157,477
 Total assets.	 24,355,688
Liabilities:	
Accounts payable.	20,741
Accrued wages and benefits	670,987
Pension obligation payable.	176,449
Intergovernmental payable	39,113
Unearned revenue	1,474,121
Accrued interest payable	7,368
Long-term liabilities:	
Due within one year.	191,088
Due in more than one year.	2,363,360
 Total liabilities	 4,943,227
Net Assets:	
Invested in capital assets, net of related debt.	17,459,681
Restricted for:	
Capital projects	1,007,143
Debt service.	241,708
Classroom facilities maintenance	44,393
State funded programs.	263,529
Federally funded programs	13,701
Other purposes	139,293
Unrestricted.	243,013
 Total net assets	 \$ 19,412,461

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, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,125,587	\$ 171,805	\$ 1,015,905	\$ (2,937,877)
Special	1,219,077	-	1,196,782	(22,295)
Vocational	279,337	-	94,706	(184,631)
Support services:				
Pupil.	216,986	-	49,056	(167,930)
Instructional staff	166,435	-	53,236	(113,199)
Board of education	21,060	-	-	(21,060)
Administration.	985,774	-	479,067	(506,707)
Fiscal.	277,123	-	-	(277,123)
Operations and maintenance	1,143,547	-	283	(1,143,264)
Pupil transportation.	509,648	-	42,506	(467,142)
Central	10,262	-	5,000	(5,262)
Operation of non-instructional services:				
Food service operations	380,431	80,709	251,247	(48,475)
Extracurricular activities.	173,119	51,340	-	(121,779)
Interest and fiscal charges	97,740	-	-	(97,740)
Totals	\$ 9,606,126	\$ 303,854	\$ 3,187,788	(6,114,484)
General Revenues:				
Property taxes levied for:				
General purposes				1,127,746
Special revenue				19,538
Debt service.				176,247
Grants and entitlements not restricted				
to specific programs				4,648,313
Investment earnings				13,053
Miscellaneous				21,755
Total general revenues				6,006,652
Change in net assets				(107,832)
Net assets at beginning of year.				19,520,293
Net assets at end of year				\$ 19,412,461

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,716,745	\$ 1,004,725	\$ 333,716	\$ 3,055,186
Cash in segregated accounts	-	-	212	212
Receivables:				
Taxes.	1,366,544	-	223,951	1,590,495
Intergovernmental.	-	-	378,160	378,160
Accounts	1,531	-	-	1,531
Accrued interest	6	-	-	6
Interfund loans	7,484	-	-	7,484
Materials and supplies inventory.	-	-	9,503	9,503
Restricted assets:				
Equity in pooled cash and cash equivalents	139,293	-	-	139,293
Total assets	\$ 3,231,603	\$ 1,004,725	\$ 945,542	\$ 5,181,870
Liabilities:				
Accounts payable	\$ 11,784	\$ -	\$ 8,957	\$ 20,741
Accrued wages and benefits.	509,073	-	161,914	670,987
Compensated absences payable	20,380	-	-	20,380
Pension obligation payable	146,389	-	30,060	176,449
Intergovernmental payable	32,139	-	6,974	39,113
Interfund loans payable.	-	-	7,484	7,484
Deferred revenue	76,356	-	280,967	357,323
Unearned revenue.	1,263,968	-	210,153	1,474,121
Total liabilities.	2,060,089	-	706,509	2,766,598
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	9,503	9,503
Restricted:				
Debt service	-	-	240,374	240,374
Capital improvements	-	1,004,725	2,418	1,007,143
Classroom facilities maintenance	-	-	43,166	43,166
Other purposes.	-	-	15,662	15,662
Textbooks	139,293	-	-	139,293
Assigned:				
Student instruction	403	-	-	403
Student and staff support	73,445	-	-	73,445
Public school support.	4,335	-	-	4,335
Other purposes.	7	-	-	7
Unassigned (deficit)	954,031	-	(72,090)	881,941
Total fund balances	1,171,514	1,004,725	239,033	2,415,272
Total liabilities and fund balances	\$ 3,231,603	\$ 1,004,725	\$ 945,542	\$ 5,181,870

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, 2011

Total governmental fund balances		\$ 2,415,272
<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.		19,157,477
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 86,285	
Intergovernmental receivable	271,038	
Total	357,323	357,323
Unamortized deferred charges are not recognized in the funds		18,830
Unamortized premiums on bond issuance are not recognized in the funds.		(42,655)
Unamortized bond issuance costs are not recognized in the funds		23,825
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,368)
Long-term liabilities, including leases and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	767,985	
General obligation current interest bonds payable	1,480,000	
General obligation capital appreciation bonds payable	60,000	
Accreted interest on capital appreciation bonds payable	3,555	
Energy conservation notes payable	108,000	
Pollution remediation obligation payable	64,732	
Capital lease obligation payable	25,971	
	(2,510,243)	(2,510,243)
Net assets of governmental activities		\$ 19,412,461

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, 2011

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 1,123,192	\$ -	\$ 195,990	\$ 1,319,182
Tuition	158,272	-	-	158,272
Charges for services	-	-	80,709	80,709
Earnings on investments	8,788	4,265	-	13,053
Extracurricular	-	-	51,340	51,340
Classroom materials and fees	13,533	-	-	13,533
Contributions and donations	10,495	-	-	10,495
Other local revenues	11,260	-	-	11,260
Intergovernmental - Intermediate	76,887	-	-	76,887
Intergovernmental - State	5,156,890	-	103,714	5,260,604
Intergovernmental - Federal	-	-	2,344,957	2,344,957
Total revenues	<u>6,559,317</u>	<u>4,265</u>	<u>2,776,710</u>	<u>9,340,292</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,546,077	-	753,562	3,299,639
Special	501,743	-	668,895	1,170,638
Vocational	274,399	-	4,000	278,399
Support services:				
Pupil	202,089	-	55,945	258,034
Instructional staff	102,839	-	61,103	163,942
Board of education	21,060	-	-	21,060
Administration	479,634	-	486,606	966,240
Fiscal	269,964	-	4,683	274,647
Operations and maintenance	1,016,586	-	62,552	1,079,138
Pupil transportation	802,340	-	48,700	851,040
Central	5,262	-	5,000	10,262
Operation of non-instructional services:				
Food service operations	-	-	373,514	373,514
Extracurricular activities	77,625	-	70,812	148,437
Facilities acquisition and construction	1,305	-	-	1,305
Debt service:				
Principal retirement	19,206	-	98,000	117,206
Interest and fiscal charges	2,554	-	84,263	86,817
Bond issuance costs	-	-	25,216	25,216
Total expenditures	<u>6,322,683</u>	<u>-</u>	<u>2,802,851</u>	<u>9,125,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>236,634</u>	<u>4,265</u>	<u>(26,141)</u>	<u>214,758</u>
Other financing sources (uses):				
Transfers in	-	-	45,000	45,000
Transfers (out)	(45,000)	-	-	(45,000)
Premium on bonds	-	-	45,146	45,146
Sale of refunding bonds	-	-	500,000	500,000
Payment to refunding bond escrow agent	-	-	(519,930)	(519,930)
Total other financing sources (uses)	<u>(45,000)</u>	<u>-</u>	<u>70,216</u>	<u>25,216</u>
Net change in fund balances	191,634	4,265	44,075	239,974
Fund balances at beginning of year (restated).	979,880	1,000,460	194,958	2,175,298
Fund balances at end of year.	<u>\$ 1,171,514</u>	<u>\$ 1,004,725</u>	<u>\$ 239,033</u>	<u>\$ 2,415,272</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, 2011

Net change in fund balances - total governmental funds	\$	239,974
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 437,673	
Current year depreciation	<u>(942,738)</u>	
Total		(505,065)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	4,349	
Intergovernmental	<u>153,653</u>	
Total		158,002
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		117,206
Refunding bonds issued are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(500,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	500,000	
Deferred charges on refundings	<u>19,930</u>	
Total		519,930
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Premiums on bonds	(45,146)	
Bond issuance costs	<u>25,216</u>	
Total		(19,930)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Increase in accrued interest payable	(7,368)	
Accreted interest on capital appreciation bonds	(3,555)	
Amortization of bond issuance costs	(1,391)	
Amortization of bond premiums	2,491	
Amortization of deferred charges	<u>(1,100)</u>	
Total		(10,923)
Some expenses reported in the statement of activities, such as compensated absences and pollution remediation obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(107,026)</u>
Change in net assets of governmental activities	\$	<u>(107,832)</u>

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 1,105,000	\$ 1,105,000	\$ 1,061,852	\$ (43,148)
Tuition	158,272	158,272	158,272	-
Earnings on investments	13,000	13,000	8,788	(4,212)
Classroom materials and fees	26,500	26,500	13,533	(12,967)
Other local revenues	15,000	15,000	11,260	(3,740)
Intergovernmental - intermediate	65,000	65,000	88,136	23,136
Intergovernmental - state	5,104,728	5,104,728	5,137,134	32,406
Total revenues	<u>6,487,500</u>	<u>6,487,500</u>	<u>6,478,975</u>	<u>(8,525)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,386,519	2,624,136	2,586,350	37,786
Special	443,561	488,829	492,729	(3,900)
Vocational	250,404	274,674	264,174	10,500
Support services:				
Pupil	234,109	257,671	256,463	1,208
Instructional staff	77,548	85,468	86,204	(736)
Board of education	31,607	33,926	25,244	8,682
Administration	464,948	510,571	494,145	16,426
Fiscal	250,380	275,318	271,435	3,883
Operations and maintenance	975,692	1,073,951	1,069,504	4,447
Pupil transportation	752,451	830,472	821,985	8,487
Central	10,121	10,651	5,766	4,885
Extracurricular activities	65,867	71,350	62,187	9,163
Facilities acquisition and construction	1,174	1,294	1,305	(11)
Total expenditures	<u>5,944,381</u>	<u>6,538,311</u>	<u>6,437,491</u>	<u>100,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>543,119</u>	<u>(50,811)</u>	<u>41,484</u>	<u>92,295</u>
Other financing sources (uses):				
Refund of prior year's expenditures	20,000	20,000	48,466	28,466
Transfers (out)	(45,000)	(45,000)	(45,000)	-
Advances (out)	(10,000)	(10,000)	(7,484)	2,516
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(4,018)</u>	<u>30,982</u>
Net change in fund balance	508,119	(85,811)	37,466	123,277
Fund balance at beginning of year (restated).	1,434,311	1,434,311	1,434,311	-
Prior year encumbrances appropriated	51,194	51,194	51,194	-
Fund balance at end of year	<u>\$ 1,993,624</u>	<u>\$ 1,399,694</u>	<u>\$ 1,522,971</u>	<u>\$ 123,277</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 26,924
Total assets.	\$ 26,924
Liabilities:	
Accounts payable.	\$ 1,037
Due to students.	25,887
Total liabilities	\$ 26,924

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, 2011**

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 37 classified employees, 63 certified full time teaching personnel and 5 administrators, who provide services to 805 students and other community members. The District ranks as 545th largest by enrollment among the 918 public school districts and community schools in the State.

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) guidance issued on or before November 30, 1989, to its governmental activities 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

PUBLIC ENTITY RISK POOL

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO)/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program. Refer to Note 13.B. for further information on the GRP.

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 28 participants consisting of 25 school districts and 3 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 2011, the District paid \$35,118 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 2011, the District paid \$20 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, 2011

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 Washington, 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.

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

Classroom facilities fund - 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

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 proprietary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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.

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. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

D. Basis of Accounting

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue on the 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 received during the year is reported in the fund financial statements as expenditures with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 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 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.
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 July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as 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 2011.
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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, 2011. 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2011. 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, 2011.

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 2011 amounted to \$8,788, which includes \$1,222 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 used. Inventories are accounted for using the consumption method on the government-wide statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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 loans receivable/payables." These amounts are eliminated in the governmental type activities columns of 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is 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.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and early retirement incentives 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

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

M. Net 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 amount restricted for other purposes represents amounts restricted by State statute for instructional materials.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 instructional materials. These restricted assets are required by State statute. A schedule of statutory set-asides is presented in Note 18.

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 968,735	\$ 1,000,460	\$ 206,103	\$ 2,175,298
Fund reclassifications:				
Public school support fund	11,138	-	(11,138)	-
Special trust fund	2	-	(2)	-
Other grants fund	5	-	(5)	-
Total fund reclassifications	<u>11,145</u>	<u>-</u>	<u>(11,145)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 979,880</u>	<u>\$ 1,000,460</u>	<u>\$ 194,958</u>	<u>\$ 2,175,298</u>

The fund reclassifications did not have an effect on net assets as previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis	<u>General Fund</u>
Balance at June 30, 2010	\$ 1,590,227
Funds budgeted elsewhere	<u>(155,916)</u>
Restated balance at July 1, 2010	<u>\$ 1,434,311</u>

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 32,217
District managed student activity fund	1,264
Race to the top	7,907
Title VI-B	16,098
Title I	1,423
Improving teacher quality	3,678

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 resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash in Segregated Accounts

At fiscal year end, \$212 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 and is reported on the balance sheet and statement of net assets as “cash in segregated accounts”.

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$3,219,563. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$3,100,387 of the District’s bank balance of \$3,350,387 was exposed to custodial risk as discussed below, while \$250,000 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, 2011, the District had the following investment maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAROhio	\$ 2,052	\$ 2,052

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. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAROhio	\$ 2,052	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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,219,563
Investments	<u>2,052</u>
Total	<u>\$ 3,221,615</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,194,691
Agency fund	<u>26,924</u>
Total	<u>\$ 3,221,615</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2011 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	District managed student activities nonmajor governmental fund	<u>\$ 7,484</u>

The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. The interfund balance is expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Food service nonmajor governmental fund	<u>\$ 45,000</u>

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in 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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$26,220 in the general fund, \$3,422 in the debt service fund (a nonmajor governmental fund) and \$447 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$74,394 in the general fund, \$10,630 in the debt service fund (a nonmajor governmental fund) and \$1,331 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First - Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 52,014,100	92.68	\$ 55,050,220	92.54
Public utility personal	<u>4,110,040</u>	<u>7.32</u>	<u>4,435,140</u>	<u>7.46</u>
Total	<u>\$ 56,124,140</u>	<u>100.00</u>	<u>\$ 59,485,360</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.63		\$38.19	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts, 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:

Nonmajor governmental funds:

Education jobs	\$ 249,430
Race to the top	21,608
IDEA Part B	1,094
Title I	30,172
Improving Teacher Quality	6,935
Miscellaneous Federal Grants	<u>68,921</u>
Total	<u>\$ 378,160</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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</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	25,235,954	-	-	25,235,954
Furniture and equipment	729,214	6,225	(5,664)	729,775
Vehicles	1,446,415	431,448	(326,457)	1,551,406
Total capital assets, being depreciated	<u>28,559,891</u>	<u>437,673</u>	<u>(332,121)</u>	<u>28,665,443</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(420,321)	(46,518)	-	(466,839)
Buildings and improvements	(6,951,116)	(784,718)	-	(7,735,834)
Furniture and equipment	(453,083)	(46,884)	5,664	(494,303)
Vehicles	(1,242,059)	(64,618)	326,457	(980,220)
Total accumulated depreciation	<u>(9,066,579)</u>	<u>(942,738)</u>	<u>332,121</u>	<u>(9,677,196)</u>
Governmental activities capital assets, net	<u>\$ 19,662,542</u>	<u>\$ (505,065)</u>	<u>\$ -</u>	<u>\$ 19,157,477</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 803,063
Support Services:	
Instructional staff	7,550
Administration	17,513
Fiscal	825
Pupil transportation	79,170
Food service operations	9,935
Extracurricular activities	<u>24,682</u>
Total depreciation expense	<u>\$ 942,738</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2008, the District 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 \$91,689. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$64,183, leaving a current book value of \$27,506. A corresponding liability was recorded on the statement of net assets. Principal and interest payments in the 2011 fiscal year totaled \$19,206 and \$2,554, respectively, 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, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 21,760
2013	<u>5,440</u>
Total minimum lease payments	27,200
Less: Amount representing interest	<u>(1,229)</u>
Total	<u>\$ 25,971</u>

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	Balance 06/30/10	Increases	Decreases	Balance 06/30/11	Amount Due Within One Year
<u>General obligation bonds</u>					
Current interest bonds-series 2000	\$ 1,615,000	\$ -	\$ (570,000)	\$ 1,045,000	\$ 80,000
Current interest refunding serial bonds-series 2010	-	175,000	-	175,000	-
Current interest refunding term bonds-series 2010	-	265,000	(5,000)	260,000	10,000
Capital appreciation refunding bonds-series 2010	-	60,000	-	60,000	-
Accreted interest-series 2010	-	3,555	-	3,555	-
Total general obligation bonds	<u>1,615,000</u>	<u>503,555</u>	<u>(575,000)</u>	<u>1,543,555</u>	<u>90,000</u>
Energy conservation note	131,000	-	(23,000)	108,000	25,000
Capital lease obligation	45,177	-	(19,206)	25,971	20,594
Early retirement incentives	85,552	-	(85,552)	-	-
Pollution remediation obligation	-	64,732	-	64,732	26,732
Compensated absences	<u>725,691</u>	<u>202,143</u>	<u>(139,469)</u>	<u>788,365</u>	<u>28,762</u>
Total long-term obligations	<u>\$ 2,602,420</u>	<u>\$ 770,430</u>	<u>\$ (842,227)</u>	<u>2,530,623</u>	<u>\$ 191,088</u>
				Add: Unamortized premium on bonds - 2010	42,655
				Less: Unamortized deferred charges - 2010	<u>(18,830)</u>
				Total reported on statement of net assets	<u>\$ 2,554,448</u>

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

Early retirement incentives - Early retirement incentives were paid from the fund from which the employee was paid, primarily from the general fund.

Classroom facilities general obligation bonds series 2000 - 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 (a nonmajor governmental fund).

During fiscal year 2011, \$500,000 of the Series 2000 classroom facilities general obligation bonds was refunded. The remaining balance at the time of refunding is \$1,045,000 with a final maturity of December 1, 2020.

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WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the series 2000 general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 80,000	\$ 65,326	\$ 145,326
2013	90,000	59,801	149,801
2014	95,000	53,788	148,788
2015	110,000	47,125	157,125
2016	120,000	39,650	159,650
2017 - 2021	<u>550,000</u>	<u>74,101</u>	<u>624,101</u>
Total	<u>\$ 1,045,000</u>	<u>\$ 339,791</u>	<u>\$ 1,384,791</u>

Classroom facilities general obligation refunding bonds - series 2010

On October 21, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund a portion of the callable portion of the Series 2000 school improvement general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The remaining balance of the series 2000 general obligation bonds at June 30, 2011, is \$1,045,000.

The refunding issue is comprised of both serial and term current interest bonds, par value \$175,000 and \$265,000 respectively, and capital appreciation bonds par value \$60,000. The interest rates on the serial and term current interest bonds are 3.40% and 3.10%, respectively. The bonds will be retired through the debt service fund (a nonmajor governmental fund). The capital appreciation bonds mature on December 1, 2021 (effective interest rate 9.59622%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2021 is \$170,000. Total accreted interest of \$3,555 has been included in the statement of net assets at June 30, 2011.

Interest payments on the serial and term current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2020 and December 1, 2022, respectively.

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The term current interest bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption occurred on December 1, 2010, and is to occur on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2011	\$ 10,000
2012	10,000
2013	10,000
2014	10,000
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000

Unless otherwise called for redemption, the remaining \$170,000 principal amount of the Bonds due December 1, 2020 is to be paid at stated maturity.

Issuance proceeds totaling \$519,930 were deposited with an escrow agent. These bonds were issued with a premium of \$45,146, which is reported as an other financing source on the fund financial statements. The issuance costs of \$25,216 are reported as a disbursement on the fund financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$19,930. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 12 years by \$96,276 and resulted in an economic gain of \$77,382.

Principal and interest requirements to retire the series 2010 general obligation refunding bonds and capital appreciation bonds outstanding at June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Current Interest Bonds - Refunding 2010</u>			<u>Capital Appreciation Bonds - Refunding 2010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,000	\$ 13,855	\$ 23,855	\$ -	\$ -	\$ -
2013	10,000	13,545	23,545	-	-	-
2014	10,000	13,235	23,235	-	-	-
2015	10,000	12,925	22,925	-	-	-
2016	10,000	12,615	22,615	-	-	-
2017 - 2021	210,000	55,945	265,945	-	-	-
2022 - 2023	<u>175,000</u>	<u>8,925</u>	<u>183,925</u>	<u>60,000</u>	<u>110,000</u>	<u>170,000</u>
Total	<u>\$ 435,000</u>	<u>\$ 131,045</u>	<u>\$ 566,045</u>	<u>\$ 60,000</u>	<u>\$ 110,000</u>	<u>\$ 170,000</u>

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 2015. These notes will be repaid with energy savings. The note liability is reflected on the statement of net assets. The notes will be retired from the debt service fund (a nonmajor governmental fund).

Principal and interest requirements to retire the Energy Conservation Notes outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 25,000	\$ 5,730	\$ 30,730
2013	26,000	4,200	30,200
2014	28,000	2,580	30,580
2015	<u>29,000</u>	<u>870</u>	<u>29,870</u>
Total	<u>\$ 108,000</u>	<u>\$ 13,380</u>	<u>\$ 121,380</u>

Pollution remediation obligation - The pollution remediation obligation is for polluted land at Lawrence Elementary due to underground storage tanks.

The District estimates the costs of the project to be approximately \$64,732 as of June 30, 2011. Of this amount \$26,732 is expected to be paid in fiscal year 2012. The District had not received any grant or loan proceeds as of June 30, 2011.

The Bureau of Underground Storage Tank Regulations, through testing procedures determined that the land in question is currently above delineation levels. The District is continuing cleanup measures to reach levels below the delineation levels.

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, 2011, are a voted debt margin of \$4,054,056 (including available funds of \$240,374) and an unvoted debt margin of \$59,485.

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RETIREMENT INCENTIVE PLAN

Effective in fiscal year 2009, the District has implemented a retirement incentive plan for certified employees. Certified employees who have been employed by the District for at least 10 years and who are eligible to retire under the State Teachers Retirement System of Ohio (STRS Ohio) either by attaining 30 years of service or by reaching 60 years of age and elects to retire, shall receive all accumulated but unpaid sick leave up to 150 days. Certified employees who wish to participate in this option must notify the District of their intent in writing by March 31st in the year of eligibility, with 30 days notice of retiring or of working through the end of the school year. This incentive benefit option is in lieu of, not in addition to, the severance pay.

During fiscal year 2011, no employees have elected to participate in the retirement incentive plan. There is no early retirement incentive liability reported at June 30, 2011.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. The District accounts for compensated absence liability in accordance with GASB 16. The District has determined the vesting method of calculation to be the most appropriate method to compute the estimate.

Severance Pay - Based upon District negotiated agreements an employee, upon retirement from active service, is eligible to receive a portion of their sick leave. Certified employees with at least 5 years of experience with the District shall be granted a lump sum payment equal to 30 percent of their accumulated but unused sick leave plus unused personal leave days, with a maximum pay out of 49.50 days. Certified employees with at least 10 years with the District shall be granted a lump sum payment equal to 30 percent of their accumulated but unused sick leave plus unused personal leave days, with a maximum pay out of 79.50 days. Classified employees with at least 5 years of experience with the District shall be granted a lump sum payment equal to 45 percent of their accumulated but unused sick leave, with a maximum pay out of 30 days. Certified employees with at least 10 years with the District shall be granted a lump sum payment equal to 45 percent of their accumulated but unused sick leave.

NOTE 13 - 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 blanket property coverage of \$41,572,000 and a \$250 deductible for property insurance.

Educator's legal liability and general liability is protected by SORSA (Schools of Ohio Risk Sharing Authority) with a \$2,000,000 single occurrence limit, a \$4,000,000 annual aggregate limit, and no deductible. Vehicles are covered by SORSA and hold a \$500 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$2,000,000 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Workers Compensation

For fiscal year 2011, the District participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Medical, Prescription, Life, Vision and Dental

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

The District is 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. 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.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$122,518, \$127,445 and \$87,831, respectively; 57.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2011, 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.

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$442,105, \$421,926 and \$423,473, respectively; 84.67 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$6,152 made by the District and \$4,394 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

**FRONTIER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$34,664, \$23,818 and \$60,302, respectively; 57.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,884, \$7,579 and \$7,247, respectively; 57.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010 and 2009 were \$34,008, \$32,456 and \$32,575, respectively; 84.67 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 16 - 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, 2011

NOTE 16 - 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 37,466
Net adjustment for revenue accruals	(54,558)
Net adjustment for expenditure accruals	89,714
Net adjustment for other sources/uses	(40,982)
Funds budgeted elsewhere	74,605
Adjustment for encumbrances	85,389
GAAP basis	\$ 191,634

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, emergency levy fund, other grants fund and the public school support fund.

NOTE 17 - 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, 2011

NOTE 18 - SET-ASIDES

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 other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 177,218	\$ -
Current year set-aside requirement	108,551	108,551
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(146,476)	(120,320)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>-</u>
Total	<u>\$ 139,293</u>	<u>\$ (11,769)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 139,293</u>	<u>\$ -</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

During fiscal year 2000, the District issued \$2,049,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$582,861 at June 30, 2011.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for textbooks	<u>\$ 139,293</u>
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**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 74,148
Classroom facilities	19,534
Other governmental	<u>14,812</u>
 Total	 <u>\$ 108,494</u>

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**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>FEDERAL GRANTOR/Pass Through Grantor/Program Title</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 12,824	\$ 12,824
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	80,983	80,983
National School Lunch Program	2010/2011	10.555	152,048	152,048
Cash Assistance Subtotal			<u>233,031</u>	<u>233,031</u>
Total Child Nutrition Cluster			<u>245,855</u>	<u>245,855</u>
Total U.S. Department of Agriculture			245,855	245,855
U.S. DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education:				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2010	84.010	69,761	49,090
	2011		481,089	466,818
Total Title 1 Grants to Local Educational Agencies			<u>550,850</u>	<u>515,908</u>
ARRA - Title 1 Grants to Local Educational Agencies	2010	84.389	23,228	10,367
	2011		115,613	115,613
Total ARRA - Title 1 Grants to Local Educational Agencies			<u>138,841</u>	<u>125,980</u>
Total Title 1 Cluster			689,691	641,888
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	39,514	18,019
	2011		218,566	209,622
Total Special Education - Grants to States			<u>258,080</u>	<u>227,641</u>
ARRA - Special Education - Grants to States	2010	84.391	26,876	17,316
	2011		98,400	98,400
Total ARRA - Special Education - Grants to States			<u>125,276</u>	<u>115,716</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2010	84.173	2,326	2,326
Total Special Education Cluster			385,682	345,683
Education Technology State Grants	2010	84.318	1,522	
	2011		1,254	1,254
Total Education Technology State Grants			<u>2,776</u>	<u>1,254</u>
Reading First State Grants	2010	84.357	118,091	54,451
	2011		456,545	453,585
Total Reading First State Grants			<u>574,636</u>	<u>508,036</u>
Improving Teacher Quality State Grants	2010	84.367	12,715	5,656
	2011		78,506	77,192
Total Improving Teacher Quality State Grants			<u>91,221</u>	<u>82,848</u>
School Improvement Grants	2010	84.377	2,874	
ARRA - State Fiscal Stabilization Fund - Education State Grant	2011	84.394	423,916	423,916
ARRA - Race to the Top Funds	2011	84.395	7,267	7,128
Education Jobs	2011	84.410	47,682	46,396
Total U.S. Department of Education			<u>2,225,745</u>	<u>2,057,149</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,471,600</u>	<u>\$ 2,303,004</u>

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • 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 the Frontier Local School District, Washington County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2012, wherein we noted the District has adopted Governmental Accounting Standards Board Statement No. 54. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 we must report under *Government Auditing Standards*.

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

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

Dave Yost
Auditor of State

January 13, 2012



Dave Yost • 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 the 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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 13, 2012.

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



Dave Yost
Auditor of State

January 13, 2012

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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 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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster - CFDA #'s 84.027, 84.173, 84. State Fiscal Stabilization Fund – Education State Grants CFDA #84.394
<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?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

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

Dave Yost
Auditor of State

January 13, 2012

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110
www.auditor.state.oh.us

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Dave Yost • 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
JANUARY 31, 2012**