



**Auditor of State
Betty Montgomery**

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Frontier Local School District
Washington County
44870 State Route 7
New Matamoras, Ohio 45767-6149

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Frontier Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Frontier Local School District, Washington County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 5, 2004

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FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 1,062,428	\$ 148,536	\$ 89,475	\$ 1,000,515
Cash in segregated accounts.	-	269	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	1,206,881	23,069	227,526	-
Accounts.	615	48	-	-
Accrued interest	31	-	-	-
Interfund loan receivable	103,234	-	-	-
Advance to other funds	16,145	-	-	-
Due from other governments	-	136,573	-	-
Materials and supplies inventory	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents.	81,867	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 2,471,201</u>	<u>\$ 308,495</u>	<u>\$ 317,001</u>	<u>\$ 1,000,515</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 1,961	\$ 7,915	\$ -	\$ 2,543
Accrued wages and benefits.	566,643	73,255	-	-
Compensated absences payable.	12,774	5,577	-	-
Pension obligation payable	82,866	11,398	-	-
Interfund loan payable	-	12,594	3,990	-
Deferred revenue	1,172,174	105,116	222,628	-
Due to other governments	39,634	6,419	-	-
Contracts payable.	-	-	-	62,800
Due to students	-	-	-	-
Advances from other funds	-	11,514	-	-
Energy conservation notes payable.	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities.	<u>1,876,052</u>	<u>233,788</u>	<u>226,618</u>	<u>65,343</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital.	-	-	-	-
Retained earnings: unreserved (deficit)	-	-	-	-
Fund balances:				
Reserved for encumbrances.	102,916	29,809	-	166,405
Reserved for debt service.	-	-	85,485	-
Reserved for tax revenue unavailable for appropriation	34,707	701	4,898	-
Reserved for advances	16,145	-	-	-
Reserved for school bus purchases.	55,783	-	-	-
Reserved for BWC refunds.	26,084	-	-	-
Unreserved:				
Designated for textbooks and capital improvements.	4,874	-	-	-
Unreserved-undesignated	354,640	44,197	-	768,767
Total equity and other credits	<u>595,149</u>	<u>74,707</u>	<u>90,383</u>	<u>935,172</u>
Total liabilities, equity and other credits.	<u>\$ 2,471,201</u>	<u>\$ 308,495</u>	<u>\$ 317,001</u>	<u>\$ 1,000,515</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 7,713	\$ 16,045	\$ -	\$ -	\$ 2,324,712
-	-	-	-	269
-	-	-	-	1,457,476
7	-	-	-	670
-	-	-	-	31
-	-	-	-	103,234
-	-	-	-	16,145
-	-	-	-	136,573
9,991	-	-	-	9,991
-	-	-	-	81,867
153,640	-	25,529,713	-	25,683,353
-	-	-	90,383	90,383
-	-	-	2,806,080	2,806,080
<u>\$ 171,351</u>	<u>\$ 16,045</u>	<u>\$ 25,529,713</u>	<u>\$ 2,896,463</u>	<u>\$ 32,710,784</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,419
33,720	-	-	-	673,618
35,846	-	-	495,380	549,577
10,454	-	-	67,083	171,801
86,650	-	-	-	103,234
-	-	-	-	1,499,918
1,665	-	-	-	47,718
-	-	-	-	62,800
-	16,045	-	-	16,045
4,631	-	-	-	16,145
-	-	-	389,000	389,000
-	-	-	1,945,000	1,945,000
<u>172,966</u>	<u>16,045</u>	<u>-</u>	<u>2,896,463</u>	<u>5,487,275</u>
-	-	25,529,713	-	25,529,713
107,774	-	-	-	107,774
(109,389)	-	-	-	(109,389)
-	-	-	-	299,130
-	-	-	-	85,485
-	-	-	-	40,306
-	-	-	-	16,145
-	-	-	-	55,783
-	-	-	-	26,084
-	-	-	-	4,874
-	-	-	-	1,167,604
<u>(1,615)</u>	<u>-</u>	<u>25,529,713</u>	<u>-</u>	<u>27,223,509</u>
<u>\$ 171,351</u>	<u>\$ 16,045</u>	<u>\$ 25,529,713</u>	<u>\$ 2,896,463</u>	<u>\$ 32,710,784</u>

FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$ 1,071,128	\$ 20,314	\$ 213,983	\$ -	\$ 1,305,425
Earnings on investments	45,743	-	-	59,154	104,897
Extracurricular	-	57,836	-	-	57,836
Other local revenues	17,709	7,746	-	-	25,455
Other revenue	1,625	2,997	-	-	4,622
Intergovernmental - State	5,057,896	135,630	14,174	436,817	5,644,517
Intergovernmental - Federal	-	509,515	-	-	509,515
Total revenues	<u>6,194,101</u>	<u>734,038</u>	<u>228,157</u>	<u>495,971</u>	<u>7,652,267</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,698,710	212,504	-	59,353	2,970,567
Special	512,507	252,249	-	-	764,756
Vocational	239,840	-	-	-	239,840
Other	2,017	-	-	-	2,017
Support services:					
Pupil	153,881	40,087	-	-	193,968
Instructional staff	225,121	134,558	-	1,370	361,049
Board of Education	44,536	-	-	-	44,536
Administration	713,271	63,177	-	-	776,448
Fiscal	216,972	5,148	3,344	-	225,464
Business	56	-	-	-	56
Operations and maintenance	775,562	32,484	-	8,410	816,456
Pupil transportation	626,265	-	-	-	626,265
Central	10,524	2,484	-	-	13,008
Extracurricular activities	71,020	68,279	-	-	139,299
Facilities acquisition and construction	6,321	-	-	6,854,896	6,861,217
Debt service:					
Principal retirement	-	-	71,000	-	71,000
Interest and fiscal charges	-	-	145,088	-	145,088
Total expenditures	<u>6,296,603</u>	<u>810,970</u>	<u>219,432</u>	<u>6,924,029</u>	<u>14,251,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,502)</u>	<u>(76,932)</u>	<u>8,725</u>	<u>(6,428,058)</u>	<u>(6,598,767)</u>
Other financing sources:					
Proceeds from sale of fixed assets	<u>4,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,033</u>
Total other financing sources	<u>4,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,033</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(98,469)</u>	<u>(76,932)</u>	<u>8,725</u>	<u>(6,428,058)</u>	<u>(6,594,734)</u>
Fund balances, July 1	<u>693,618</u>	<u>151,639</u>	<u>81,658</u>	<u>7,363,230</u>	<u>8,290,145</u>
Fund balances, June 30	<u>\$ 595,149</u>	<u>\$ 74,707</u>	<u>\$ 90,383</u>	<u>\$ 935,172</u>	<u>\$ 1,695,411</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 1,020,064	\$ 1,037,409	\$ 17,345	\$ 22,896	\$ 20,278	\$ (2,618)
Earnings on investments	45,013	45,778	765	-	-	-
Extracurricular	-	-	-	65,304	57,836	(7,468)
Other local revenues	49,940	50,789	849	12,076	10,695	(1,381)
Other revenue	60,003	61,023	1,020	-	-	-
Intergovernmental - State	4,993,967	5,078,884	84,917	158,791	140,631	(18,160)
Intergovernmental - Federal	-	-	-	529,906	469,305	(60,601)
Total revenues	<u>6,168,987</u>	<u>6,273,883</u>	<u>104,896</u>	<u>788,973</u>	<u>698,745</u>	<u>(90,228)</u>
				841,756	745,491	
Expenditures:						
Current:						
Instruction:						
Regular	2,865,777	2,739,215	126,562	230,802	196,695	34,107
Special	555,743	531,200	24,543	294,067	250,610	43,457
Vocational	265,693	253,959	11,734	-	-	-
Other	2,085	1,993	92	-	-	-
Support services:						
Pupil	170,545	163,013	7,532	45,112	38,446	6,666
Instructional staff	247,518	236,587	10,931	153,715	131,000	22,715
Board of Education	50,680	48,442	2,238	-	-	-
Administration	726,966	694,861	32,105	67,415	57,453	9,962
Fiscal	226,103	216,118	9,985	6,005	5,118	887
Business	59	56	3	-	-	-
Operations and maintenance	855,395	817,618	37,777	58,907	50,202	8,705
Pupil transportation	708,644	677,348	31,296	-	-	-
Central	10,689	10,217	472	3,264	2,782	482
Extracurricular activities	74,001	70,733	3,268	88,658	75,557	13,101
Facilities acquisition and construction	8,288	7,922	366	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>6,768,186</u>	<u>6,469,282</u>	<u>298,904</u>	<u>947,945</u>	<u>807,863</u>	<u>140,082</u>
				994,285	847,355	
Excess (deficiency) of revenues over (under) expenditures	<u>(599,199)</u>	<u>(195,399)</u>	<u>403,800</u>	<u>(158,972)</u>	<u>(109,118)</u>	<u>49,854</u>
Other financing sources (uses):						
Advances in	31,646	32,184	538	50,559	44,777	(5,782)
Advances out	(141,675)	(135,417)	6,258	(37,765)	(32,184)	5,581
Operating transfers in	-	-	-	2,223	1,969	(254)
Operating transfers out	-	-	-	(2,310)	(1,969)	341
Proceeds from sale of fixed assets	3,966	4,033	67	-	-	-
Refund of prior year's expenditures	7,284	7,408	124	-	-	-
Refund of prior year's receipts	-	-	-	(6,265)	(5,339)	926
Total other financing sources (uses)	<u>(98,779)</u>	<u>(91,792)</u>	<u>6,987</u>	<u>6,442</u>	<u>7,254</u>	<u>812</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(697,978)</u>	<u>(287,191)</u>	<u>410,787</u>	<u>(152,530)</u>	<u>(101,864)</u>	<u>50,666</u>
Fund balances, July 1	1,203,114	1,203,114	-	204,466	204,466	-
Prior year encumbrances appropriated	122,953	122,953	-	6,605	6,605	-
Fund balances, June 30	<u>\$ 628,089</u>	<u>\$ 1,038,876</u>	<u>\$ 410,787</u>	<u>\$ 58,541</u>	<u>\$ 109,207</u>	<u>\$ 50,666</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 202,515	\$ 209,085	\$ 6,570	\$ -	\$ -	\$ -	\$ 1,245,475	\$ 1,266,772	\$ 21,297
-	-	-	59,933	63,350	3,417	104,946	109,128	4,182
-	-	-	-	-	-	65,304	57,836	(7,468)
-	-	-	-	-	-	62,016	61,484	(532)
-	-	-	-	-	-	60,003	61,023	1,020
18,410	19,007	597	413,255	436,817	23,562	5,584,423	5,675,339	90,916
-	-	-	-	-	-	529,906	469,305	(60,601)
<u>220,925</u>	<u>228,092</u>	<u>7,167</u>	<u>473,188</u>	<u>500,167</u>	<u>26,979</u>	<u>7,652,073</u>	<u>7,700,887</u>	<u>48,814</u>
-	-	-	92,572	87,704	4,868	3,189,151	3,023,614	165,537
-	-	-	-	-	-	849,810	781,810	68,000
-	-	-	-	-	-	265,693	253,959	11,734
-	-	-	-	-	-	2,085	1,993	92
-	-	-	-	-	-	215,657	201,459	14,198
-	-	-	1,447	1,371	76	402,680	368,958	33,722
-	-	-	-	-	-	50,680	48,442	2,238
-	-	-	-	-	-	794,381	752,314	42,067
3,750	3,344	406	-	-	-	235,858	224,580	11,278
-	-	-	-	-	-	59	56	3
-	-	-	8,877	8,410	467	923,179	876,230	46,949
-	-	-	-	-	-	708,644	677,348	31,296
-	-	-	-	-	-	13,953	12,999	954
-	-	-	-	-	-	162,659	146,290	16,369
-	-	-	10,301,093	9,759,408	541,685	10,309,381	9,767,330	542,051
71,000	71,000	-	-	-	-	71,000	71,000	-
145,088	145,088	-	-	-	-	145,088	145,088	-
<u>219,838</u>	<u>219,432</u>	<u>406</u>	<u>10,403,989</u>	<u>9,856,893</u>	<u>547,096</u>	<u>18,339,958</u>	<u>17,353,470</u>	<u>986,488</u>
<u>1,087</u>	<u>8,660</u>	<u>7,573</u>	<u>(9,930,801)</u>	<u>(9,356,726)</u>	<u>574,075</u>	<u>(10,687,885)</u>	<u>(9,652,583)</u>	<u>1,035,302</u>
3,865	3,990	125	-	-	-	86,070	80,951	(5,119)
-	-	-	-	-	-	(179,440)	(167,601)	11,839
-	-	-	-	-	-	2,223	1,969	(254)
-	-	-	-	-	-	(2,310)	(1,969)	341
-	-	-	-	-	-	3,966	4,033	67
-	-	-	-	-	-	7,284	7,408	124
-	-	-	-	-	-	(6,265)	(5,339)	926
<u>3,865</u>	<u>3,990</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,472)</u>	<u>(80,548)</u>	<u>7,924</u>
4,952	12,650	7,698	(9,930,801)	(9,356,726)	574,075	(10,776,357)	(9,733,131)	1,043,226
76,825	76,825	-	1,079,624	1,079,624	-	2,564,029	2,564,029	-
-	-	-	9,108,669	9,108,669	-	9,238,227	9,238,227	-
<u>\$ 81,777</u>	<u>\$ 89,475</u>	<u>\$ 7,698</u>	<u>\$ 257,492</u>	<u>\$ 831,567</u>	<u>\$ 574,075</u>	<u>\$ 1,025,899</u>	<u>\$ 2,069,125</u>	<u>\$ 1,043,226</u>

FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services	\$ 114,576
Other operating revenues	97
Total operating revenues	114,673
Operating expenses:	
Personal services	244,602
Contract services	1,352
Materials and supplies	127,071
Depreciation	4,220
Other	13,518
Total operating expenses	390,763
Operating loss	(276,090)
Nonoperating revenues (expenses):	
Operating grants	150,669
Federal commodities	38,111
Loss on disposal of fixed assets	(34,720)
Total nonoperating revenues (expenses)	154,060
Net loss before capital contributions	(122,030)
Capital contributions	157,860
Net income	35,830
Retained earnings, July 1	(145,219)
Retained earnings, June 30	(109,389)
Contributed capital at beginning and end of year	107,774
Total fund equity at end of year	\$ (1,615)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 114,569
Cash received from other operations	97
Cash payments for personal services.	(236,847)
Cash payments for contract services.	(1,356)
Cash payments for materials and supplies	(98,951)
Cash payments for other expenses	<u>(13,518)</u>
Net cash used in operating activities.	<u>(236,006)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	150,668
Cash received from interfund loans	<u>86,650</u>
Net cash provided by noncapital financing activities.	<u>237,318</u>
Cash flows from capital and related financing activities:	
Cash received from sale of capital assets.	<u>6,390</u>
Net cash provided by capital and related financing activities.	<u>6,390</u>
Net increase in cash and cash equivalents	7,702
Cash and cash equivalents at beginning of year.	<u>11</u>
Cash and cash equivalents at end of year	<u>\$ 7,713</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (276,090)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,220
Federal donated commodities	38,111
Changes in assets and liabilities:	
Decrease in accounts receivable	90
Increase in materials and supplies inventory.	(3,881)
Decrease in accounts payable	(4)
Increase in accrued wages and benefits	2,678
Increase in compensated absences payable	571
Decrease in due to other governments	(12,155)
Increase in pension obligation payable.	<u>10,454</u>
Net cash used in operating activities	<u>\$ (236,006)</u>
Non-cash investing, capital, and financing activities	
Capital contributions.	<u><u>\$ 157,820</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Frontier Local School District (the School 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 Frontier Local School 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 School District's four instructional/support facilities staffed by 54 classified employees, 80 certificated full time teaching personnel, and 5 administrators, who provide services to 967 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Frontier Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the program's governing board and (1) the School District is able to significantly influence the programs of services performed or provided by the organization; or (2) the School District is legally entitled to or can access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, and the Southeastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Frontier Local School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis of accounting when the exchange takes place. On a modified accrual basis of accounting, 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 School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis of accounting, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenue arises 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 the governmental funds.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. The Treasurer maintains budgetary information at the fund, function, and object levels and has the authority to allocate appropriations to the function and object level without resolution by the Board. Any budgetary modifications at the fund level may only be made by resolution of the Board of Education.

Tax Budget:

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate issued in effect when final appropriations for the fiscal year were passed.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund type.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The School District has a segregated bank account for athletic monies held separate from the School District's central bank account. This depository account is presented on the combined balance sheet as "cash in segregated accounts" since it is not deposited into the School District treasury. The School District also is responsible for several interest bearing accounts that are in contractors' names and consist of retainage held on contracts. The balances in these accounts are presented on the combined balance sheet as "Cash with Fiscal and Escrow Agents" and represents deposits.

During fiscal year 2003, investments were limited to certificates of deposit, which are reported at cost, and the State Treasury Asset Reserve (STAROhio), which is reported at fair value based on quoted market prices.

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 share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$45,743, which includes \$27,527 assigned from other School District funds.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for school bus purchases and the unspent workers' compensation refund monies required to be maintained for budget stabilization. See Note 19 for additional information regarding set-asides.

F. Estimates

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

G. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. In fiscal year 2003, the School District changed its capitalization threshold of \$100 to \$5,000. The School District does not have any infrastructure.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Interest incurred during the construction of general fixed assets is not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years.

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after five years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year end are considered not to have been paid with current financial resources. General obligation bonds and energy conservation notes are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary fund operations are reported as liabilities in the appropriate proprietary funds.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, debt service, school bus purchases, Bureau of Workers' Compensation (BWC) refunds, advances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for BWC refunds represents money set aside to protect against cyclical fluctuations in revenues and expenditures.

Additional fund balance designations have been established for textbooks and capital improvements. These designations represent the School District's intent to voluntarily spend these amounts on textbooks and capital improvements.

O. Contributed Capital

Contributed capital represents resources provided from other funds, other governments, and private sources to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. Future contributions of capital from other governments and private sources will be recorded as revenues and reported as increases to retained earnings. Contributions from other funds will continue to be reported as contributed capital.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2003, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Professional Development	\$ 454
DPIA	22,405
Title VI-B	22,088
Title I	2,907
Miscellaneous Federal Grants	2,692
<u>Enterprise Funds</u>	
Food Service	108,378
Uniform Supplies	1,011

These funds complied with Ohio state law which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Professional Development, DPIA, Title VI-B, Title I, and Miscellaneous Federal Grants special revenue fund are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service and Uniform School Supplies enterprise funds are due to the reporting of accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be funded by user charges and other subsidies not recognized and recorded at June 30.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess (Deficiency) of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses**

	<u>All Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (287,191)	\$ (101,864)	\$ 12,650	\$ (9,356,726)
Net adjustment for revenue accruals	(79,782)	35,293	65	(4,196)
Net adjustment for expenditure accruals	67,260	(42,436)	-	2,763,916
Net adjustment for other financing sources/(uses) accruals	95,825	(7,254)	(3,990)	-
Encumbrances (budget basis)	<u>105,419</u>	<u>39,329</u>	<u>-</u>	<u>168,948</u>
GAAP basis	<u>\$ (98,469)</u>	<u>\$ (76,932)</u>	<u>\$ 8,725</u>	<u>\$ (6,428,058)</u>

NOTE 5 - CASH AND CASH EQUIVALENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

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 division (1) or (2) of this section 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 acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classifications by at least two nationally recognized rating agencies.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$2,404,861 and the bank balance was \$2,421,645. Of the bank balance, \$443,396 was covered by federal depository insurance and \$1,978,249 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The fair value of the investment in STAROhio at June 30, 2003, was \$1,718.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 2,406,848	\$ -
STAROhio	(1,718)	1,718
Cash in segregated accounts	<u>(269)</u>	<u>-</u>
GASB Statement 3	<u>\$ 2,404,861</u>	<u>\$ 1,718</u>

NOTE 6 - PROPERTY TAXES

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003 on the assessed value listed as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2003 on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 40,470,120	84.0%	\$ 40,615,940	84.2%
Public utility personal	3,190,480	7.0%	4,389,710	9.1%
Tangible personal	4,163,530	9.0%	3,250,900	6.7%
	\$ 47,824,130	100%	\$ 48,256,550	100%
Tax rate per \$1,000 of assessed valuation		\$ 39.30		\$ 40.90

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Washington County. The Washington County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2003, was \$40,306 and is recognized as revenue. Of the total, \$34,707 was available to the general fund, \$701 was available to the classroom maintenance special revenue fund, and \$4,898 was available to the debt service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as “due from other governments” on the combined balance sheet. 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 fiscal year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$ 1,206,881
Interfund loans receivable	103,234
 <u>Special Revenue Funds</u>	
Taxes - current and delinquent	23,069
Due from other governments	136,573
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	227,526

NOTE 8 - FIXED ASSETS

A. A summary of the enterprise fund’s fixed assets at June 30, 2003, as follows:

Furniture and equipment	\$ 157,860
Less accumulated depreciation	(4,220)
Net fixed assets	\$ 153,640

B. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2002 due to an appraisal of the District’s fixed assets, and an increase in the District’s capitalization threshold from \$100 to \$5,000. The increase in capitalization threshold and the appraisal had the following effect on the balances previously reported in the general fixed asset account group:

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

<u>Asset Category</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Adjustment</u>	<u>Restated</u> <u>Balance</u> <u>July 1, 2002</u>
Land and land improvements	\$ 434,764	\$ (189,858)	\$ 244,906
Buildings and improvements	2,544,426	(1,531,878)	1,012,548
Furniture, fixtures and equipment	1,482,527	(1,168,899)	313,628
Vehicles	879,955	330,830	1,210,785
Construction in progress	<u>15,531,140</u>	<u>-</u>	<u>15,531,140</u>
Total	<u>\$ 20,872,812</u>	<u>\$ (2,559,805)</u>	<u>\$ 18,313,007</u>

A summary of the changes in the general fixed assets account group during the fiscal year follows:

<u>Asset Category</u>	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>
Land and land improvements	\$ 244,906	\$ 858,182	\$ -	\$ 1,103,088
Buildings and improvements	1,012,548	21,869,768	-	22,882,316
Furniture, fixtures and equipment	313,628	21,674	(19,177)	316,125
Vehicles	1,210,785	54,700	(37,301)	1,228,184
Construction in progress	<u>15,531,140</u>	<u>7,196,810</u>	<u>(22,727,950)</u>	<u>-</u>
Total	<u>\$ 18,313,007</u>	<u>\$ 30,001,134</u>	<u>\$ (22,784,428)</u>	<u>\$ 25,529,713</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

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

Professional and general liability is protected by the Ohio School Plan with a \$1,000,000 single occurrence limit, a \$3,000,000 aggregate limit, and no deductible. Vehicles are covered by Republic Franklin Insurance Company and hold a \$1,000 deductible for comprehensive and a \$1,000 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The School District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$78,278, \$61,766, and \$29,195, respectively; 57.83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$33,020, represents the unpaid contribution for fiscal year 2003.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The School District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$384,666, \$289,008, and \$165,527, respectively; 81.91% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$69,620, represents the unpaid contribution for fiscal year 2003.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the School District, this amount equaled \$29,590 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$70,620 during the 2003 fiscal year.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work 260 days per year, earn vacation days at varying rates per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and qualifying administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days for certified employees and up to 240 days for classified employees. Upon retirement, certified employees receive payment as follows: thirty percent of 150 days maximum for five to nine years of service; thirty percent of 250 days maximum for 10 or more years of service. Classified employees, upon retirement, receive payment for accumulated sick leave days as follows: 30 days maximum for five to nine years of service; for 10 or more years of service an employee shall be entitled to 45 days maximum for the first 99 days and for 10 or more years of service who have a sick leave accumulation of 100 or more days shall receive 45% of their accumulated sick leave balance.

B. Insurance Benefits

The School District provides major medical, health, and prescription coverage through Anthem Blue Cross and Blue Shield of Ohio. The School District pays monthly premiums of up to \$895.43 for family coverage and up to \$320.62 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life in the amount of \$25,000.

Dental coverage is provided through Core Source, Incorporated. Premiums for this coverage are \$39.01 monthly for family and \$18.10 for single coverage.

Vision coverage is provided through Vision Service Plan, Incorporated. Premiums for this coverage are \$15.68 for family coverage and \$6.93 for individual coverage.

NOTE 13 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual commitments for school building renovations and construction with various vendors in the amount of \$22,732,149. As of June 30, 2003, the School District paid \$22,665,349 on the project and the remaining balance on the contracts is \$66,800.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding <u>6/30/2002</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/2003</u>
General Long-Term Obligations:				
Compensated Absences	\$ 525,531	\$ -	\$ (30,151)	\$ 495,380
General Obligation Bonds - 4.7 - 6.0%	1,975,000	-	(30,000)	1,945,000
Energy Conservation Notes - 6.0%	430,000	-	(41,000)	389,000
Long-Term Pension Liability	<u>55,304</u>	<u>67,083</u>	<u>(55,304)</u>	<u>67,083</u>
Total General Long-Term Obligations	<u>\$ 2,985,835</u>	<u>\$ 67,083</u>	<u>\$ (156,455)</u>	<u>\$ 2,896,463</u>

Classroom Facilities General Obligation Bonds - On June 1, 2000, Frontier Local School 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.

Energy Conservation Note - On December 12, 1996, the School District issued \$270,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2007. These notes will be repaid with energy savings. The note liability is reflected in the general long-term obligations account group. The Capital Improvement Capital Projects Fund received the proceeds.

Energy Conservation Note - On June 1, 2000, the School District issued \$302,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a fifteen year period with final maturity during fiscal year 2014. These notes will be repaid with energy savings. The note liability is reflected in the general long-term obligations account group. The Capital Improvement Capital Projects Fund received the proceeds.

Compensated absences and long-term pension obligations will be paid from the fund which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,488,473, with an unvoted debt margin of \$48,257 at June 30, 2003.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 30,000	\$ 118,958	\$ 148,958
2005	35,000	117,243	152,243
2006	45,000	115,112	160,112
2007	45,000	112,693	157,693
2008	50,000	110,115	160,115
2009-2013	365,000	495,764	860,764
2014-2018	585,000	345,489	930,489
2019-2023	<u>790,000</u>	<u>125,075</u>	<u>915,075</u>
Total	<u>\$ 1,945,000</u>	<u>\$ 1,540,449</u>	<u>\$ 3,485,449</u>

Principal and interest requirements to retire the Energy Conservation Notes outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 45,000	\$ 21,990	\$ 66,990
2005	47,000	19,230	66,230
2006	51,000	16,290	67,290
2007	53,000	13,170	66,170
2008	19,000	11,010	30,010
2009-2013	117,000	35,430	152,430
2014-2018	<u>57,000</u>	<u>3,450</u>	<u>60,450</u>
Total	<u>\$ 389,000</u>	<u>\$ 120,570</u>	<u>\$ 509,570</u>

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - INTERFUND BALANCES

A. As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 103,234	\$ -
Special Revenue Funds:		
DPIA	-	6,552
Title VIB	-	5,370
Title VI	-	672
Enterprise Funds:		
Food Service	-	86,650
Debt Service Fund:		
Bond Retirement	<u>-</u>	<u>3,990</u>
Total	<u>\$ 103,234</u>	<u>\$ 103,234</u>

B. As of June 30, 2003, advances to and from other funds was as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 16,145	\$ -
Special Revenue Funds:		
Professional Development	-	454
Title VI-B	-	4,377
Title VI	-	682
Miscellaneous Federal Grants	-	6,001
Enterprise Funds:		
Food Service	-	3,620
Uniform School Supplies	<u>-</u>	<u>1,011</u>
Total	<u>\$ 16,145</u>	<u>\$ 16,145</u>

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Frontier Local School District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 114,673	\$ -	\$ 114,673
Depreciation expense	4,220	-	4,220
Operating loss	(276,090)	-	(276,090)
Donated commodities	38,111	-	38,111
Operating grants	150,669	-	150,669
Net income	35,830	-	35,830
Net working capital	(116,320)	(1,011)	(117,331)
Total assets	171,351	-	171,351
Long-term liabilities paid			
From fund revenue	37,923	-	37,923
Total deficit	(108,378)	(1,011)	(109,389)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative - 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 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2003, the Frontier Local School District paid \$26,517 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, 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, Mary Bee, Treasurer, 21740 State Route 676, Marietta, Ohio 45750.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. During fiscal year 2003, the Frontier Local School District paid \$300 to the Coalition.

South Eastern Ohio Special Education Regional Resource Center – The South Eastern Ohio Special Education Regional Resource Center (SEOSERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2003, the Frontier Local School District paid \$80 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

NOTE 18 – INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - SET-ASIDE CALCULATIONS

The School 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for the budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>BWC Refunds</u>
Set-aside reserve balance as of June 30, 2002	\$ (115,864)	\$ (2,591,734)	\$ 26,084
Current year set-aside requirement	131,275	131,275	-
Current year offset	-	(22,923)	-
Qualifying disbursements	<u>(64,826)</u>	<u>(9,374,002)</u>	<u>-</u>
Totals	<u>\$ (49,415)</u>	<u>\$ (11,857,384)</u>	<u>\$ 26,084</u>
Set-aside balance carried forward to future fiscal years	<u>\$ (49,415)</u>	<u>\$ (11,857,384)</u>	<u>\$ 26,084</u>
Set-aside reserve balance as of June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,084</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks and capital improvement set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. The School District has elected to designate \$4,874 for textbooks and capital improvements.

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

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for budget stabilization	\$ 26,084
Amount restricted for school bus purchases	<u>55,783</u>
Total restricted assets	<u>\$ 81,867</u>

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is currently not a party to any material legal proceedings.

Frontier Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 – STATE SCHOOL FUNDING DECISION

On December 11, 2002 the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 38,111	\$	\$ 38,111
School Breakfast Program	10.553	05PU-2002 05PU-2003	3,261 29,090		3,261 29,090	
Total School Breakfast Program			<u>32,351</u>	<u>0</u>	<u>32,351</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2002 LLP4-2003	11,199 95,143		11,199 95,143	
Total National School Lunch Program			<u>106,342</u>	<u>0</u>	<u>106,342</u>	<u>0</u>
Total Nutrition Cluster			<u>138,693</u>	<u>38,111</u>	<u>138,693</u>	<u>38,111</u>
Total United States Department of Agriculture			138,693	38,111	138,693	38,111
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2002 C1S1-2003	27,263 237,021		80,073 225,620	
Total Title I Grants to Local Educational Agencies			<u>264,284</u>	<u>0</u>	<u>305,693</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSF-2002P 6BSF-2003P	12,700 96,814		22,222 101,870	
Total Special Education - Grants to States			<u>109,514</u>	<u>0</u>	<u>124,092</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2001 DRS1-2002 DRS1-2003	706 1,472		597 1,368 1,195	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>2,178</u>	<u>0</u>	<u>3,160</u>	<u>0</u>
Goals 2000	84.276	G2S1-2001 G2S1-2002			70 6,614	
Total Goals 2000			<u>0</u>	<u>0</u>	<u>6,684</u>	<u>0</u>
Eisenhower Professional Development State Grants	84.281	MSS1-2001 MSS1-2002	(622)		218 5,685	
Total Eisenhower Professional Development State Grants			<u>(622)</u>	<u>0</u>	<u>5,903</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2S1-2002 C2S1-2003	(1,177) 3,679		1,607 1,625	
Total Innovative Education Program Strategies			<u>2,502</u>	<u>0</u>	<u>3,232</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2003	8,434		8,433	
Class Size Reduction	84.340	CRS1-2002			5,551	
School Renovation, IDEA and Technology	84.352A	ATS2-2002 ATS3-2002 ATS4-2002	1,020 16,178 6,883		1,003 13,525	
Total School Renovation, IDEA and Technology			<u>24,081</u>	<u>0</u>	<u>14,528</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	TRS1-2003	58,933		57,602	
Total United States Department of Education			<u>469,304</u>	<u>0</u>	<u>534,878</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 607,997</u>	<u>\$ 38,111</u>	<u>\$ 673,571</u>	<u>\$ 38,111</u>

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies expended first. At June 30, 2003, the School District had no significant food commodities in inventory.

NOTE C – TRANSFERS

During 2003, the Ohio Department of Education authorized the School District to transfer unneeded funds to other grants as well as carryover monies from the prior fiscal year to the current fiscal year. Authorized transfers and carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers are as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1-S1-02	\$ 10,054	\$
84.010	Title I Grants to Local Educational Agencies	C1-S1-03		10,054
84.281	Eisenhower Professional Development	MS-S1-02	622	
84.367	Improving Teacher Quality State Grants	TR-S1-03		622
84.298	Innovative Education Program Strategies	C2-S1-02	2,726	
84.298	Innovative Education Program Strategies	C2-S1-03		2,726
			<u>\$ 13,402</u>	<u>\$ 13,402</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Frontier Local School District
Washington County
44870 State Route 7
New Matamoras, Ohio 45767-6149

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Frontier Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 5, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 5, 2004.

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Frontier Local School District
Washington County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, the Board of Education and federal awarding agencies and pass-through entities, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 5, 2004



Auditor of State Betty Montgomery

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

Frontier Local School District
Washington County
44870 State Route 7
New Matamoras, Ohio 45767-6149

To the Board of Education:

Compliance

We have audited the compliance of the Frontier Local School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated January 5, 2004.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 5, 2004

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies - CFDA #84.010
<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.



**Auditor of State
Betty Montgomery**

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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
FEBRUARY 12, 2004**