



Dave Yost • Auditor of State

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Statement of Net Position	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund	21
Statement of Fiduciary Assets and Liabilities	22
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule	52
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	55
Schedule of Findings – OMB Circular A-133 § .505	57

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier Local School District, Washington County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Local School District, Washington County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2015

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

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

The management's discussion and analysis of the Frontier Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities decreased \$834,790 which represents a 5.03% decrease from 2013.
- General revenues accounted for \$6,567,975 in revenue or 78.27% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,823,666 or 21.73% of total revenues of \$8,391,641.
- The District had \$9,226,431 in expenses related to governmental activities; \$1,823,666 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,567,975 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and the classroom facilities fund. The general fund had \$7,133,219 in revenues and \$7,226,031 in expenditures. During fiscal year 2014, the general fund's fund balance decreased \$92,812 from a balance of \$397,016 to \$304,204.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$221,311 in revenues and \$206,503 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$14,808 from \$260,122 to \$274,930.
- Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$999 in revenues and \$5,000 expenditures. During fiscal year 2014, the classroom facilities fund's fund balance decreased \$4,001 from \$997,074 to \$993,073.

Using the Basic Financial Statements

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

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

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

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

Unaudited

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-53 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 3,934,960	\$ 3,892,097
Capital assets, net	<u>16,510,660</u>	<u>17,439,472</u>
Total assets	<u>20,445,620</u>	<u>21,331,569</u>
Deferred outflows	<u>13,883</u>	<u>15,532</u>
Total assets and deferred outflows	<u>20,459,503</u>	<u>21,347,101</u>
<u>Liabilities</u>		
Current liabilities	768,816	786,868
Long-term liabilities	<u>2,499,442</u>	<u>2,632,747</u>
Total liabilities	<u>3,268,258</u>	<u>3,419,615</u>
Deferred inflows	<u>1,434,317</u>	<u>1,335,768</u>
Total liabilities and deferred inflows	<u>4,702,575</u>	<u>4,755,383</u>
<u>Net Position</u>		
Net investment in capital assets	15,101,668	15,838,927
Restricted	1,299,533	1,287,086
Unrestricted (deficit)	<u>(644,273)</u>	<u>(534,295)</u>
Total net position	<u>\$ 15,756,928</u>	<u>\$ 16,591,718</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,756,928. Of this total, \$1,299,533 is restricted in use.

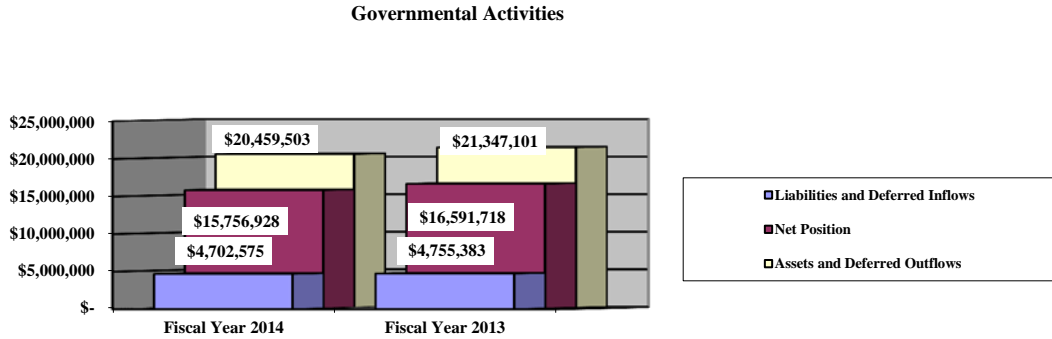
At year-end, capital assets represented 80.70% of total assets and deferred outflows. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$15,101,668. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

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

A portion of the District's net position, \$1,299,533, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$644,273.

The graph below presents the District's governmental activities liabilities and deferred inflows, net position and assets and deferred outflows as of June 30, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal years' ended June 30, 2014 and 2013.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 291,048	\$ 261,793
Operating grants and contributions	1,532,618	1,528,689
General revenues:		
Property taxes	1,456,870	1,407,124
Grants and entitlements	4,945,641	4,821,902
Payments in lieu of taxes	74,329	45,025
Investment earnings	3,166	5,221
Other	<u>87,969</u>	<u>108,925</u>
Total revenues	<u>8,391,641</u>	<u>8,178,679</u>

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

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

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,697,260	\$ 3,811,119
Special	1,209,801	1,217,827
Vocational	238,657	216,852
Adult continuing	1,000	250
Support services:		
Pupil	221,524	302,311
Instructional staff	228,103	110,320
Board of education	27,038	28,200
Administration	924,136	954,480
Fiscal	278,249	285,296
Business	21,952	19
Operations and maintenance	1,044,897	1,384,293
Pupil transportation	789,265	738,725
Central	12,764	13,386
Operations of non-instructional services		
Food service operations	307,276	382,223
Extracurricular activities	146,375	154,604
Interest and fiscal charges	<u>78,134</u>	<u>105,949</u>
Total expenses	<u>9,226,431</u>	<u>9,705,854</u>
Change in net position	(834,790)	(1,527,175)
Net position at beginning of year	<u>16,591,718</u>	<u>18,118,893</u>
Net position at end of year	<u>\$ 15,756,928</u>	<u>\$ 16,591,718</u>

Governmental Activities

Net position of the District's governmental activities decreased \$834,790. Total governmental expenses of \$9,226,431 were offset by program revenues of \$1,823,666 and general revenues of \$6,567,975. Program revenues supported 19.77% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 76.30% of total governmental revenue.

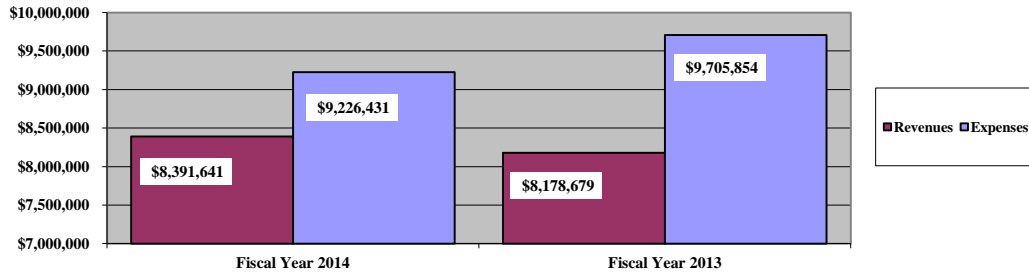
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,146,718 or 55.78% of total governmental expenses for fiscal year 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal years' ended June 30, 2014 and June 30, 2013.

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

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

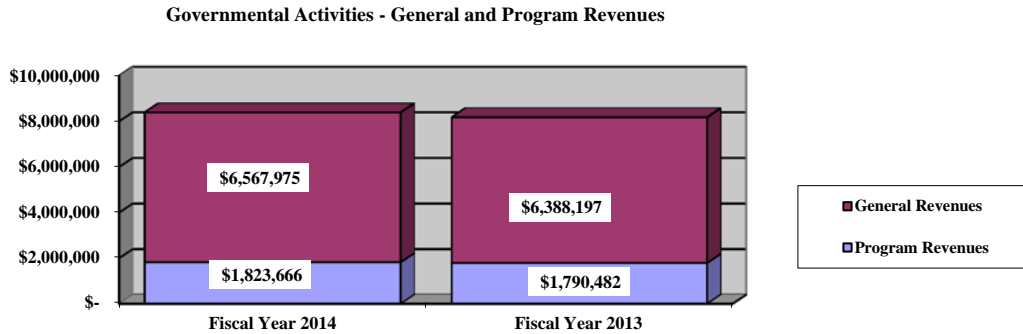
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 3,697,260	\$ 3,432,814	\$ 3,811,119	\$ 3,631,935
Special	1,209,801	255,785	1,217,827	225,341
Vocational	238,657	141,974	216,852	127,444
Adult continuing	1,000	1,000	250	250
Support services:				
Pupil	221,524	203,306	302,311	251,307
Instructional staff	228,103	224,821	110,320	107,457
Board of education	27,038	27,038	28,200	28,200
Administration	924,136	842,382	954,480	883,408
Fiscal	278,249	278,249	285,296	285,296
Business	21,952	21,952	19	19
Operations and maintenance	1,044,897	1,044,897	1,384,293	1,384,293
Pupil transportation	789,265	768,063	738,725	717,493
Central	12,764	12,764	13,386	13,386
Operations of non-instructional services				
Food service operations	307,276	(12,083)	382,223	51,686
Extracurricular activities	146,375	81,669	154,604	101,908
Interest and fiscal charges	78,134	78,134	105,949	105,949
Total expenses	<u>\$ 9,226,431</u>	<u>\$ 7,402,765</u>	<u>\$ 9,705,854</u>	<u>\$ 7,915,372</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 74.45% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.23%.

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

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

The graph below presents the District's governmental activities revenue for fiscal years' ended June 30, 2014 and June 30, 2013.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,570,050, which is less than last year's total of \$1,640,254. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance (deficit) <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase (decrease)	Percentage Change
General	\$ 304,204	\$ 397,016	\$ (92,812)	(23.38) %
Debt Service	274,930	260,122	14,808	5.69 %
Classroom Facilities	993,073	997,074	(4,001)	(0.40) %
Other Governmental	<u>(2,157)</u>	<u>(13,958)</u>	<u>11,801</u>	(84.55) %
Total	<u>\$ 1,570,050</u>	<u>\$ 1,640,254</u>	<u>\$ (70,204)</u>	(4.28) %

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

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

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

General Fund

The District's general fund balance decreased \$92,812. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,296,507	\$ 1,196,053	\$ 100,454	8.40 %
Tuition	129,005	102,237	26,768	26.18 %
Earnings on investments	2,167	3,877	(1,710)	(44.11) %
Intergovernmental	5,529,626	5,398,582	131,044	2.43 %
Other revenues	<u>175,914</u>	<u>160,964</u>	<u>14,950</u>	9.29 %
Total	<u>\$ 7,133,219</u>	<u>\$ 6,861,713</u>	<u>\$ 271,506</u>	3.96 %
<u>Expenditures</u>				
Instruction	\$ 3,807,134	\$ 3,993,143	\$ (186,009)	(4.66) %
Support services	3,282,172	3,190,380	91,792	2.88 %
Extracurricular activities	74,381	83,966	(9,585)	(11.42) %
Facilities acquisition and construction	1,305	1,699	(394)	(23.19) %
Capital outlay	-	173,894	(173,894)	100.00 %
Debt service	<u>61,039</u>	<u>5,440</u>	<u>55,599</u>	1,022.04 %
Total	<u>\$ 7,226,031</u>	<u>\$ 7,448,522</u>	<u>\$ (222,491)</u>	(2.99) %

The increase in tuition revenues was a result of more students participating in the open enrollment program throughout the District. The decrease in earnings on investment revenues was a result of decreasing interest rates during fiscal year 2014. The increase in other revenues was a result of more miscellaneous general receipts being received by the District. Extracurricular activities expenditures decreased due to decreased spending on afterschool activities and sports. Capital outlay expenditures decreased due to the acquisition of new buses through a capital lease agreement during prior fiscal year 2013. Debt service expenditures increased due to the beginning of payments for the prior year capital lease for buses. All other revenues and expenditures remained comparable to the prior year.

Debt Service Fund

Another of the District's major governmental funds is the debt service fund. The debt service fund had \$221,311 in revenues and \$206,503 in expenditures. During fiscal year 2014, the debt service fund's fund balance increased \$14,808 from \$260,122 to \$274,930.

Classroom Facilities Fund

Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$999 in revenues and \$5,000 expenditures. During fiscal year 2014, the classroom facilities fund's fund balance decreased \$4,001 from \$997,074 to \$993,073.

General Fund Budgeting Highlights

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

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

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

For the general fund, original and final budgeted revenues and other financing sources were \$6,875,400. Actual revenues and other financing sources for fiscal year 2014 were \$7,046,472. This represents a \$171,072 increase from final budgeted and actual revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$7,239,735 were increased by \$145,099 in the final appropriations. The actual budget basis expenditures and other financing sources for fiscal year 2014 totaled \$7,256,524, which was \$128,310 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$16,510,660 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2014 balances compared to fiscal year 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 169,230	\$ 169,230
Land improvements	565,876	599,333
Building and improvements	15,147,673	15,931,252
Furniture and equipment	144,954	154,308
Vehicles	482,927	585,349
Total	\$ 16,510,660	\$ 17,439,472

The overall decrease in capital assets of \$928,812 is due to depreciation expense of \$953,411 exceeding capital outlays of \$26,895 and a net decrease of \$2,296 for disposals in the fiscal year. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2014, the District had \$1,269,185 in general obligation bonds, \$29,000 in energy conservation notes and \$117,428 in capital lease obligations outstanding. Of this total, \$206,952 is due within one year and \$1,208,661 is due in greater than one year.

The following table summarizes the bonds, notes and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2014	2013
General obligation bonds	\$ 1,269,185	\$ 1,366,655
Energy conservation notes	29,000	57,000
Capital lease obligation	117,428	173,894
Total	\$ 1,415,613	\$ 1,597,549

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

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

At June 30, 2014, the District's overall legal debt margin was \$5,231,444, and an unvoted debt margin of \$68,906. See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The Frontier Local School District has been proactive in order to maintain the highest standards of service to our students, parents and community members. The District is always being presented with challenges and opportunities. While the District is very much State funded, it has very limited control of future revenues.

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

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

The District received an Ohio Facilities Construction Commission (OFCC), formerly Ohio School Facilities Commission (OSFC), project for buildings in 2002. The appearances of our new buildings are pleasant to the eye, however many new challenges are now being discovered. Electric and gas consumptions have increased significantly and add to the expenditures which in the past were not present. Poor workmanship and inefficient equipment have been nuisances since the project completion. Many years after project completion, we are still struggling with many issues.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Franklin Antill, Treasurer, 44870 State Route 7, New Matamoras, Ohio, 45767-6149.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 2,279,980
Cash in segregated accounts	116
Receivables:	
Taxes	1,567,773
Intergovernmental	78,774
Materials and supplies inventory.	8,317
Capital assets:	
Nondepreciable capital assets	169,230
Depreciable capital assets, net.	<u>16,341,430</u>
Capital assets, net	<u>16,510,660</u>
Total assets.	<u>20,445,620</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding.	<u>13,883</u>
 Liabilities:	
Accounts payable.	19,483
Accrued wages and benefits payable	594,262
Pension obligation payable.	115,593
Intergovernmental payable	32,345
Accrued interest payable	7,133
Long-term liabilities:	
Due within one year.	275,054
Due in more than one year.	<u>2,224,388</u>
Total liabilities	<u>3,268,258</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year . . .	<u>1,434,317</u>
 Net position:	
Net investment in capital assets	15,101,668
Restricted for:	
Capital projects	995,491
Debt service.	249,090
Classroom facilities maintenance	24,528
State funded programs.	6,119
Federally funded programs	7,776
Student activities	16,529
Unrestricted (deficit)	<u>(644,273)</u>
Total net position.	<u>\$ 15,756,928</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$ 3,697,260	\$ 142,621	\$ 121,825	\$ (3,432,814)
Special	1,209,801	-	954,016	(255,785)
Vocational	238,657	-	96,683	(141,974)
Adult/continuing.	1,000	-	-	(1,000)
Support services:				
Pupil.	221,524	-	18,218	(203,306)
Instructional staff	228,103	-	3,282	(224,821)
Board of education	27,038	-	-	(27,038)
Administration.	924,136	-	81,754	(842,382)
Fiscal.	278,249	-	-	(278,249)
Business.	21,952	-	-	(21,952)
Operations and maintenance	1,044,897	-	-	(1,044,897)
Pupil transportation.	789,265	-	21,202	(768,063)
Central	12,764	-	-	(12,764)
Operation of non-instructional services:				
Food service operations	307,276	83,721	235,638	12,083
Extracurricular activities.	146,375	64,706	-	(81,669)
Interest and fiscal charges	78,134	-	-	(78,134)
Totals	\$ 9,226,431	\$ 291,048	\$ 1,532,618	(7,402,765)

General revenues:

Property taxes levied for:	
General purposes	1,251,862
Special revenue	20,348
Debt service.	184,660
Grants and entitlements not restricted	
to specific programs.	4,945,641
Payments in lieu of taxes.	74,329
Investment earnings	3,166
Miscellaneous	87,969
Total general revenues	6,567,975
Change in net position	(834,790)
Net position at beginning of year	16,591,718
Net position at end of year.	\$ 15,756,928

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 920,220	\$ 266,185	\$ 993,073	\$ 100,502	\$ 2,279,980
Cash in segregated accounts	-	-	-	116	116
Receivables:					
Taxes.	1,348,740	196,348	-	22,685	1,567,773
Intergovernmental.	27,231	-	-	51,543	78,774
Interfund loans	30,000	-	-	-	30,000
Materials and supplies inventory.	-	-	-	8,317	8,317
Due from other funds	4,102	-	-	-	4,102
Total assets.	<u>\$ 2,330,293</u>	<u>\$ 462,533</u>	<u>\$ 993,073</u>	<u>\$ 183,163</u>	<u>\$ 3,969,062</u>
Liabilities:					
Accounts payable.	\$ 19,483	\$ -	\$ -	\$ -	\$ 19,483
Accrued wages and benefits payable	506,275	-	-	87,987	594,262
Compensated absences payable	58,759	-	-	685	59,444
Pension obligation payable	107,178	-	-	8,415	115,593
Interfund loans payable.	-	-	-	30,000	30,000
Intergovernmental payable	30,122	-	-	2,223	32,345
Due to other funds	-	-	-	4,102	4,102
Total liabilities.	<u>721,817</u>	<u>-</u>	<u>-</u>	<u>133,412</u>	<u>855,229</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year. . .	1,231,301	182,125	-	20,891	1,434,317
Delinquent property tax revenue not available . .	45,740	5,478	-	685	51,903
Intergovernmental revenue not available	27,231	-	-	30,332	57,563
Total deferred inflows of resources	<u>1,304,272</u>	<u>187,603</u>	<u>-</u>	<u>51,908</u>	<u>1,543,783</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	8,317	8,317
Restricted:					
Debt service	-	274,930	-	-	274,930
Capital improvements	-	-	993,073	2,418	995,491
Classroom facilities maintenance	-	-	-	23,843	23,843
Extracurricular.	-	-	-	16,529	16,529
Other purposes.	-	-	-	10,357	10,357
Assigned:					
Public school support	6,657	-	-	-	6,657
Other purposes	16,032	-	-	-	16,032
Unassigned (deficit)	281,515	-	-	(63,621)	217,894
Total fund balances (deficit)	<u>304,204</u>	<u>274,930</u>	<u>993,073</u>	<u>(2,157)</u>	<u>1,570,050</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,330,293</u>	<u>\$ 462,533</u>	<u>\$ 993,073</u>	<u>\$ 183,163</u>	<u>\$ 3,969,062</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$ 1,570,050
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,510,660
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 51,903	
Intergovernmental receivable	57,563	
Total		109,466
Unamortized premiums on bonds issued are not recognized in the funds.		(31,447)
Unamortized amounts on refundings are not recognized in the funds.		13,883
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,133)
Long-term liabilities, including leases and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(654,689)	
General obligation current interest bonds	(1,185,000)	
General obligation capital appreciation bonds	(60,000)	
Accreted interest on capital appreciation bonds	(24,185)	
Energy conservation notes payable	(29,000)	
Pollution remediation obligation payable	(338,249)	
Capital lease obligation	(117,428)	
Total		(2,408,551)
Net position of governmental activities		<u>\$ 15,756,928</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 1,296,507	\$ 190,976	\$ -	\$ 21,196	\$ 1,508,679
Tuition.	129,005	-	-	-	129,005
Charges for services	-	-	-	83,721	83,721
Earnings on investments	2,167	-	999	-	3,166
Extracurricular.	-	-	-	64,706	64,706
Classroom materials and fees	13,616	-	-	-	13,616
Contributions and donations	10,588	-	-	-	10,588
Other local revenues	77,381	-	-	-	77,381
Payments in lieu of taxes	74,329	-	-	-	74,329
Intergovernmental - State	5,529,626	30,335	-	60,482	5,620,443
Intergovernmental - Federal	-	-	-	851,528	851,528
Total revenues	<u>7,133,219</u>	<u>221,311</u>	<u>999</u>	<u>1,081,633</u>	<u>8,437,162</u>
Expenditures:					
Current:					
Instruction:					
Regular.	2,787,539	-	-	111,798	2,899,337
Special	790,019	-	-	422,396	1,212,415
Vocational	228,576	-	-	9,105	237,681
Adult/continuing	1,000	-	-	-	1,000
Support services:					
Pupil	203,027	-	-	19,927	222,954
Instructional staff	221,406	-	-	3,920	225,326
Board of education	27,038	-	-	-	27,038
Administration	823,303	-	-	84,414	907,717
Fiscal	278,717	3,900	-	216	282,833
Business.	21,952	-	-	-	21,952
Operations and maintenance	1,003,006	-	-	52,569	1,055,575
Pupil transportation	690,810	-	-	-	690,810
Central	12,913	-	-	-	12,913
Operation of non-instructional services:					
Food service operations	-	-	-	303,974	303,974
Extracurricular activities	74,381	-	-	61,513	135,894
Facilities acquisition and construction.	1,305	-	5,000	-	6,305
Debt service:					
Principal retirement.	56,466	133,000	-	-	189,466
Interest and fiscal charges	4,573	69,603	-	-	74,176
Total expenditures	<u>7,226,031</u>	<u>206,503</u>	<u>5,000</u>	<u>1,069,832</u>	<u>8,507,366</u>
Net change in fund balances	(92,812)	14,808	(4,001)	11,801	(70,204)
Fund balances at beginning of year	<u>397,016</u>	<u>260,122</u>	<u>997,074</u>	<u>(13,958)</u>	<u>1,640,254</u>
Fund balances (deficit) at end of year	<u>\$ 304,204</u>	<u>\$ 274,930</u>	<u>\$ 993,073</u>	<u>\$ (2,157)</u>	<u>\$ 1,570,050</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ (70,204)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 26,895	
Current year depreciation	(953,411)	
Total		(926,516)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (2,296)

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

Taxes	(51,809)	
Intergovernmental	23,450	
Total		(28,359)

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

Bonds	105,000	
Notes	28,000	
Capital leases	56,466	
Total		189,466

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	1,485	
Accreted interest on capital appreciation bonds	(7,530)	
Amortization of bond premiums	3,736	
Amortization of deferred charges	(1,649)	
Total		(3,958)

Some expenses reported in the statement of activities, such as compensated absences and pollution remediation obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 7,077

Change in net position of governmental activities \$ (834,790)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,068,000	\$ 1,068,000	\$ 1,174,333	\$ 106,333
Tuition.	105,000	105,000	129,005	24,005
Earnings on investments	5,000	5,000	2,167	(2,833)
Classroom materials and fees	13,900	13,900	13,616	(284)
Other local revenues	70,000	70,000	71,341	1,341
Payments in lieu of taxes	70,000	70,000	74,329	4,329
Intergovernmental - State	5,501,000	5,501,000	5,510,613	9,613
Total revenues	<u>6,832,900</u>	<u>6,832,900</u>	<u>6,975,404</u>	<u>142,504</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,709,620	2,764,847	2,755,505	9,342
Special.	781,232	797,254	797,082	172
Vocational.	219,043	223,472	220,333	3,139
Support services:				
Pupil.	225,421	229,622	209,017	20,605
Instructional staff	202,604	206,760	206,760	-
Board of education	31,118	31,730	30,468	1,262
Administration.	838,231	855,306	849,464	5,842
Fiscal	280,728	286,385	281,417	4,968
Business	99	100	52	48
Operations and maintenance.	1,079,444	1,100,425	1,043,764	56,661
Pupil transportation	745,770	760,735	744,504	16,231
Central	13,950	14,212	13,012	1,200
Extracurricular activities	77,502	78,986	73,841	5,145
Facilities acquisition and construction.	4,974	5,000	1,305	3,695
Total expenditures	<u>7,209,735</u>	<u>7,354,834</u>	<u>7,226,524</u>	<u>128,310</u>
Excess of expenditures over revenues.	<u>(376,835)</u>	<u>(521,934)</u>	<u>(251,120)</u>	<u>270,814</u>
Other financing sources (uses):				
Refund of prior year's expenditures	35,000	35,000	65,028	30,028
Advances (out)	(30,000)	(30,000)	(30,000)	-
Sale of capital assets	7,500	7,500	6,040	(1,460)
Total other financing sources (uses)	<u>12,500</u>	<u>12,500</u>	<u>41,068</u>	<u>28,568</u>
Net change in fund balance	(364,335)	(509,434)	(210,052)	299,382
Fund balance at beginning of year	583,514	583,514	583,514	-
Prior year encumbrances appropriated	58,185	58,185	58,185	-
Fund balance at end of year	<u>\$ 277,364</u>	<u>\$ 132,265</u>	<u>\$ 431,647</u>	<u>\$ 299,382</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents . . .	<u>\$ 20,213</u>
Total assets.	<u><u>\$ 20,213</u></u>
Liabilities:	
Due to students.	<u>\$ 20,213</u>
Total liabilities	<u><u>\$ 20,213</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Frontier Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected Board form of government and provides educational services as authorized by State and federal agencies. This Board controls the District's four instructional/support facilities staffed by 31 classified employees, 55 certified full time teaching personnel and 4 administrators, who provide services to 710 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

PUBLIC ENTITY RISK POOL

Workers' Compensation Group Rating Program

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative (SEOVEC) - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 36 participants consisting of 28 school districts and 8 educational service centers. SEOVEC is governed by a Governing Board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2014, the District paid \$45,825 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

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

INSURANCE PUCHASING POOL

Portage Area School Consortium - The Portage Area School Consortium (the "Consortium") is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in Washington, Columbiana, Portage and Mahoning counties. The Consortium is a stand alone entity, comprised of two stand-alone Pools; the Portage County School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Deferred outflows of resources consist of unamortized deferred charges on debt refunding as reported on the statement of net position.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Washington County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2014.

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

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

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

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

F. Cash and Investments

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to specific funds. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$2,167, which includes \$842 assigned from other funds.

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

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

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

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payables." These amounts are eliminated in the governmental type activities columns of the statement of net position.

J. Compensated Absences

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

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

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

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least 15 years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and early retirement incentives that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance

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

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

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

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

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

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

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

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

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

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

M. Net Position

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

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

N. Estimates

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

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

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

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

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. During fiscal year 2014, there were no interfund transfers.

P. Bond Issuance Costs and Unamortized Bond Premiums and Discounts/Accounting Gain or Loss

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 14,986
IDEA Part-B	11,430
Title I	16,772
Improving teacher quality	12,116

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash in Segregated Accounts

At fiscal year-end, \$116 was on deposit in the District's athletic officials clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool and is reported on the balance sheet and statement of net position as "cash in segregated accounts".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$2,298,255. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,177,560 of the District's bank balance of \$2,427,560 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2014, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 2,054	\$ 2,054

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,054	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,298,255
Investments	2,054
Total	<u>\$ 2,300,309</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,280,096
Agency fund	20,213
Total	<u>\$ 2,300,309</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances for the year ended June 30, 2013, consisted of the following due to/from other funds, as reported on the fund financial statements:

<u>Due to the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ <u>4,102</u>

The primary purpose of the interfund balances is to cover negative cash balances in the governmental funds. These negative cash balances are not allowable as they do not meet the criteria of Ohio Revised Code Section 3315.20(A). These interfund balances are expected to be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

- B. Interfund balances at June 30, 2014, as reported on the fund financial statements, consist of the following interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund:</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ <u>30,000</u>

Interfund loans receivable/payable are short-term interfund loans, and are expected to be repaid in the subsequent fiscal year. The primary purpose of the interfund loan is to cover costs where revenues were not received by June 30. The interfund loan will be repaid once the anticipated revenues are received. Interfund loans receivable/payable between governmental funds are eliminated and are not reported on the government-wide statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Washington County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$71,699 in the general fund, \$8,745 in the debt service fund and \$1,109 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$59,535 in the general fund, \$7,845 in the debt service fund and \$1,018 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

	2013 Second		2014 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 55,035,220	91.98	\$ 63,199,720	91.72
Public utility personal	<u>4,795,890</u>	<u>8.02</u>	<u>5,705,990</u>	<u>8.28</u>
Total	<u>\$ 59,831,110</u>	<u>100.00</u>	<u>\$ 68,905,710</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.22		\$37.68	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables reported on the statement of net position follows:

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

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

NOTE 7 – RECEIVABLES (Continued)

<u>Nonmajor governmental funds</u>	
Medicaid school program reimbursement	\$ 10,069
Vocational education enhancement	744
Race to the top	11,762
IDEA Part-B	6,541
Title I	31,249
Improving teacher quality	1,247
School employees retirement system reimbursement	<u>17,162</u>
Total	<u><u>\$ 78,774</u></u>

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

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 169,230	\$ -	\$ -	\$ 169,230
Total capital assets, not being depreciated	<u>169,230</u>	<u>-</u>	<u>-</u>	<u>169,230</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,160,091	14,000	-	1,174,091
Buildings and improvements	25,235,954	-	-	25,235,954
Furniture and equipment	712,690	12,895	(8,610)	716,975
Vehicles	<u>1,569,671</u>	<u>-</u>	<u>-</u>	<u>1,569,671</u>
Total capital assets, being depreciated	<u>28,678,406</u>	<u>26,895</u>	<u>(8,610)</u>	<u>28,696,691</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(560,758)	(47,457)	-	(608,215)
Buildings and improvements	(9,304,702)	(783,579)	-	(10,088,281)
Furniture and equipment	(558,382)	(19,953)	6,314	(572,021)
Vehicles	<u>(984,322)</u>	<u>(102,422)</u>	<u>-</u>	<u>(1,086,744)</u>
Total accumulated depreciation	<u>(11,408,164)</u>	<u>(953,411)</u>	<u>6,314</u>	<u>(12,355,261)</u>
Governmental activities capital assets, net	<u>\$ 17,439,472</u>	<u>\$ (926,516)</u>	<u>\$ (2,296)</u>	<u>\$ 16,510,660</u>

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

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

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 801,542
Support Services:	
Instructional staff	1,245
Operations and maintenance	430
Pupil transportation	116,065
Food service operations	9,648
Extracurricular activities	<u>24,481</u>
Total depreciation expense	<u>\$ 953,411</u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copier equipment and school buses. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment and vehicles have been capitalized in the amount of \$91,689 and \$173,894, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$91,689 for the copier leases, leaving no current book value of and \$32,605 for the school buses leaving a current book value of \$117,428. A corresponding liability was recorded on the statement of net position. Principal and interest payments in the 2014 fiscal year totaled \$56,466 and \$4,573, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 61,040
2016	<u>61,040</u>
Total minimum lease payments	122,080
Less: Amount representing interest	<u>(4,652)</u>
Total	<u>\$ 117,428</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2014 the following activity occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	Balance <u>06/30/13</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/14</u>	Amount Due Within <u>One Year</u>
<u>General obligation bonds</u>					
Current interest bonds-series 2000	\$ 875,000	\$ -	\$ (95,000)	\$ 780,000	\$ 110,000
Current interest refunding serial bonds-series 2010	175,000	-	-	175,000	-
Current interest refunding term bonds-series 2010	240,000	-	(10,000)	230,000	10,000
Capital appreciation refunding bonds-series 2010	60,000	-	-	60,000	-
Accreted interest-series 2010	<u>16,655</u>	<u>7,530</u>	<u>-</u>	<u>24,185</u>	<u>-</u>
Total general obligation bonds	<u>1,366,655</u>	<u>7,530</u>	<u>(105,000)</u>	<u>1,269,185</u>	<u>120,000</u>
Energy conservation note	57,000	-	(28,000)	29,000	29,000
Capital lease obligation	173,894	-	(56,466)	117,428	57,952
Pollution remediation obligation	338,249	-	-	338,249	-
Compensated absences	<u>661,766</u>	<u>128,610</u>	<u>(76,243)</u>	<u>714,133</u>	<u>68,102</u>
Total long-term obligations	<u>\$ 2,597,564</u>	<u>\$ 136,140</u>	<u>\$ (265,709)</u>	2,467,995	<u>\$ 275,054</u>
				Add: Unamortized premium on bonds - 2010	<u>31,447</u>
				Total reported on statement of net position	<u>\$ 2,499,442</u>

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

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

During fiscal year 2011, \$500,000 of the Series 2000 classroom facilities general obligation bonds was refunded. The remaining balance at the time of refunding was \$1,045,000 with a final maturity of December 1, 2019.

Principal and interest requirements to retire the series 2000 general obligation bonds outstanding at June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 110,000	\$ 47,125	\$ 157,125
2016	120,000	39,650	159,650
2017	125,000	31,688	156,688
2018	135,000	23,238	158,238
2019	140,000	14,300	154,300
2020	<u>150,000</u>	<u>4,875</u>	<u>154,875</u>
Total	<u>\$ 780,000</u>	<u>\$ 160,876</u>	<u>\$ 940,876</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Classroom facilities general obligation refunding bonds - series 2010 - On October 21, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund a portion of the callable portion of the Series 2000 school improvement general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The remaining balance of the series 2000 general obligation bonds at June 30, 2014, is \$780,000.

The refunding issue is comprised of both serial and term current interest bonds, par value \$175,000 and \$265,000 respectively, and capital appreciation bonds par value \$60,000. The interest rates on the serial and term current interest bonds are 3.40% and 3.10%, respectively. The bonds will be retired through the debt service fund (a major governmental fund). The capital appreciation bonds mature on December 1, 2021 (effective interest rate 9.59622%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2021 is \$170,000. Total accreted interest of \$24,185 has been included in the statement of net position at June 30, 2014.

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

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

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

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

These bonds were issued with a premium of \$45,146 which is being amortized for the life of the bonds. At June 30, 2014, the remaining premium was \$31,447.

The reacquisition price exceeded the net carrying amount of the old debt by \$19,930. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. At June 30, 2014, there was a balance of \$13,883. This advance refunding was undertaken to reduce the combined total debt service payments over the next 12 years by \$96,276 and resulted in an economic gain of \$77,382.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the series 2010 general obligation refunding bonds and capital appreciation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	<u>Current Interest Bonds - Refunding 2010</u>			<u>Capital Appreciation Bonds - Refunding 2010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,000	\$ 12,925	\$ 22,925	\$ -	\$ -	\$ -
2016	10,000	12,615	22,615	-	-	-
2017	10,000	12,305	22,305	-	-	-
2018	10,000	11,995	21,995	-	-	-
2019	10,000	11,685	21,685	-	-	-
2020 - 2023	<u>355,000</u>	<u>28,885</u>	<u>383,885</u>	<u>60,000</u>	<u>110,000</u>	<u>170,000</u>
Total	<u>\$ 405,000</u>	<u>\$ 90,410</u>	<u>\$ 495,410</u>	<u>\$ 60,000</u>	<u>\$ 110,000</u>	<u>\$ 170,000</u>

Energy conservation note - On June 1, 2000, the District issued \$302,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a fifteen year period with final maturity during fiscal year 2015. These notes will be repaid with energy savings. The note liability is reflected on the statement of net position. The notes will be retired from the debt service fund.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 201, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 29,000</u>	<u>\$ 870</u>	<u>\$ 29,870</u>
Total	<u>\$ 29,000</u>	<u>\$ 870</u>	<u>\$ 29,870</u>

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

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

Legal debt margin - The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$5,231,444 (including available funds of \$274,930) and an unvoted debt margin of \$68,906.

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

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

NOTE 11 - RETIREMENT INCENTIVE PLAN

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

During fiscal year 2014, one employee elected to participate in the retirement incentive plan. There is no early retirement incentive liability reported at June 30, 2014.

NOTE 12 - COMPENSATED ABSENCES

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

Severance Pay - Based upon District negotiated agreements an employee, upon retirement from active service, is eligible to receive a portion of their sick leave. Certified employees with 5 to 9 years of experience with the District shall be granted a lump sum payment equal to 30 percent of their accumulated but unused sick leave, with a maximum of 150 days, plus unused personal leave days. Certified employees with at least 10 years with the District shall be granted a lump sum payment equal to 30 percent of their accumulated but unused sick leave, with a maximum of 250 days, plus unused personal leave days. Classified employees with between 5 and 15 years of experience with the District shall be granted a lump sum payment equal to 35 percent of their accumulated but unused sick leave. Classified employees with 16 or more years of experience with the District shall be granted a lump sum payment equal to 45 percent of their accumulated but unused sick leave up to 200 days, 75% for days 201-250 and 50% for days 251-275.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has contracts with Barengo Insurance Agency. The policy includes blanket property coverage of \$43,561,570. and no deductible for property insurance.

Educator's legal liability and general liability is protected by SORSA (Schools of Ohio Risk Sharing Authority) with a \$5,000,000 single occurrence limit, a \$7,000,000 annual aggregate limit, and no deductible. Vehicles are covered by SORSA and hold no deductible for comprehensive and a no deductible for collision. Automobile liability has a \$5,000,000 combined single limit of liability.

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

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

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

NOTE 13 - RISK MANAGEMENT (Continued)

B. Workers Compensation

For fiscal year 2014, the District participated in a Workers' Compensation Group Rating Program (GRP), insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

B. Medical, Prescription, Life, Vision and Dental

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

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

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

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

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

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

NOTE 14 - PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$140,229, \$145,005 and \$144,424, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

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

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$373,408, \$416,179 and \$431,737, respectively; 84.09 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$15,045 made by the District and \$11,821 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. District Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the District Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

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

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$20,647, \$18,519 and \$27,426, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,135, \$8,191 and \$8,529, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$28,724, \$32,014 and \$33,211, respectively; 84.09 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (210,052)
Net adjustment for revenue accruals	17,871
Net adjustment for expenditure accruals	12,537
Net adjustment for other sources/uses	(41,068)
Funds budgeted elsewhere	81,622
Adjustment for encumbrances	<u>46,278</u>
GAAP basis	<u>\$ (92,812)</u>

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

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

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

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

NOTE 18 - SET-ASIDES (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	119,883
Current year qualifying expenditures	(97,326)
Current year offsets	<u>(22,557)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

In prior fiscal years, the District issued \$2,049,000 in classroom facilities general obligation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$1,466,139 at June 30, 2014.

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 37,490
Classroom facilities	2,659
Other governmental	<u>16,116</u>
Total	<u>\$ 56,265</u>

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**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 17,044	\$ 17,044
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	72,145	72,145
National School Lunch Program	2013/2014	10.555	137,780	137,780
Cash Assistance Subtotal			<u>209,925</u>	<u>209,925</u>
Total Child Nutrition Cluster			<u>226,969</u>	<u>226,969</u>
Total U.S. Department of Agriculture			226,969	226,969
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	31,818 <u>253,054</u>	34,970 <u>251,984</u>
Total Title I Grants to Local Educational Agencies			284,872	286,954
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	5,292 <u>158,070</u>	7,042 <u>153,415</u>
Total Special Education - Grants to States			163,362	160,457
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2014	84.173	<u>2,133</u>	<u>2,133</u>
Total Special Education Cluster			165,495	162,590
<i>Passed Through Ohio Department of Education:</i>				
Mathematics and Science Partnerships	2014	84.366	76,270	62,083
Improving Teacher Quality State Grants	2013 2014	84.367	8,516 <u>63,422</u>	8,996 <u>62,097</u>
Total Improving Teacher Quality State Grants			71,938	71,093
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013 2014	84.395A	11,197 <u>22,986</u>	20 <u>27,088</u>
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>34,183</u>	<u>27,108</u>
Total U.S. Department of Education			<u>632,758</u>	<u>609,828</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 859,727</u>	<u>\$ 836,797</u>

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

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier Local School District, Washington County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Frontier Local School District's, Washington County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2015

**FRONTIER LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> • 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.

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Dave Yost • Auditor of State

FRONTIER LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2015**