



Dave Yost • Auditor of State



**FRONTIER LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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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 45767-6149

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, 2015, 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 the Frontier Local School District, Washington County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures (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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, 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 initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. 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 2015 are as follows:

- In total, net position of governmental activities decreased \$27,592 which represents a 0.46% decrease from 2014 as restated in Note 3.A.
- General revenues accounted for \$6,860,189 in revenue or 79.32% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,788,842 or 20.68% of total revenues of \$8,649,031.
- The District had \$8,676,623 in expenses related to governmental activities; \$1,788,842 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 \$6,860,189 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 \$7,283,424 in revenues and \$6,887,233 in expenditures. During fiscal year 2015, the general fund's fund balance increased \$396,191 from a balance of \$304,204 to \$700,395.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$222,180 in revenues and \$214,172 in expenditures. During fiscal year 2015, the debt service fund's fund balance increased \$8,008 from \$274,930 to \$282,938.
- Another of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$994 in revenues and \$0 expenditures. During fiscal year 2015, the classroom facilities fund's fund balance increased \$994 from \$993,073 to \$994,067.

**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, 2015**

**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 2015?" 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 19 -20 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 14. 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 21-25 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 26. 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, 2015**

***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 27-59 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 61 through 67 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2015 and June 30, 2014, as restated.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b><u>Assets</u></b>		
Current and other assets	\$ 4,465,992	\$ 3,934,960
Capital assets, net	<u>15,567,417</u>	<u>16,510,660</u>
Total assets	<u>20,033,409</u>	<u>20,445,620</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	12,234	13,883
Pension	<u>606,837</u>	<u>514,754</u>
Total deferred outflows of resources	<u>619,071</u>	<u>528,637</u>
<b><u>Liabilities</u></b>		
Current liabilities	750,871	768,816
Long-term liabilities:		
Due within one year	227,896	275,054
Due in more than one year:		
Net pension liability	8,595,963	10,210,071
Other amounts	<u>1,972,510</u>	<u>2,224,388</u>
Total liabilities	<u>11,547,240</u>	<u>13,478,329</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for the next fiscal year	1,522,163	1,434,317
Pensions	<u>1,549,058</u>	<u>-</u>
Total deferred inflows of resources	<u>3,071,221</u>	<u>1,434,317</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	14,367,464	15,101,668
Restricted	1,324,412	1,299,533
Unrestricted (deficit)	<u>(9,657,857)</u>	<u>(10,339,590)</u>
Total net position	<u>\$ 6,034,019</u>	<u>\$ 6,061,611</u>

During 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$15,756,928 to \$6,061,611.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$6,034,019. Of this total, \$1,324,412 is restricted in use.

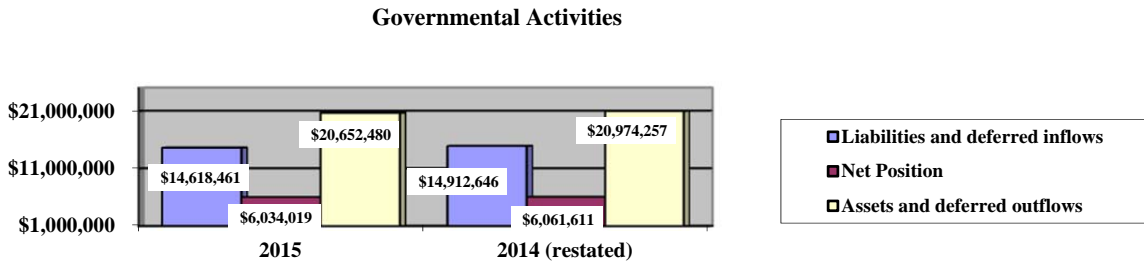
**FRONTIER LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

At year-end, capital assets represented 75.38% 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, 2015, was \$14,367,464. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,324,412, 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 \$9,657,857 which is the result of GASB Statement No. 68, as described in Note 3.A.

The graph below presents the District's governmental activities liabilities and deferred inflows, net position and assets and deferred outflows as of June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years' ended June 30, 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 361,414	\$ 291,048
Operating grants and contributions	1,427,428	1,532,618
General revenues:		
Property taxes	1,661,269	1,456,870
Grants and entitlements	5,020,910	4,945,641
Payments in lieu of taxes	76,691	74,329
Investment earnings	3,263	3,166
Other	98,056	87,969
<b>Total revenues</b>	<b>8,649,031</b>	<b>8,391,641</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Change in Net Position</b>	
	Governmental	Restated
	Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,514,827	\$ 3,697,260
Special	1,179,810	1,209,801
Vocational	212,326	238,657
Adult continuing	750	1,000
Support services:		
Pupil	213,804	221,524
Instructional staff	202,471	228,103
Board of education	24,839	27,038
Administration	819,097	924,136
Fiscal	278,842	278,249
Business	284	21,952
Operations and maintenance	985,313	1,044,897
Pupil transportation	710,032	789,265
Central	12,418	12,764
Operations of non-instructional services		
Food service operations	296,527	307,276
Extracurricular activities	156,685	146,375
Interest and fiscal charges	68,598	78,134
Total expenses	<u>8,676,623</u>	<u>9,226,431</u>
Change in net position	(27,592)	(834,790)
Net position at beginning of year (restated)	<u>6,061,611</u>	<u>N/A</u>
Net position at end of year	<u>\$ 6,034,019</u>	<u>\$ 6,061,611</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$514,754 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$368,976.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 8,676,623
Pension expense under GASB 68	(368,976)
2015 contractually required contributions	<u>526,109</u>
Adjusted 2015 program expenses	8,833,756
Total 2014 program expenses under GASB 27	<u>9,226,431</u>
Decrease in program expenses not related to pension	<u>\$ (392,675)</u>

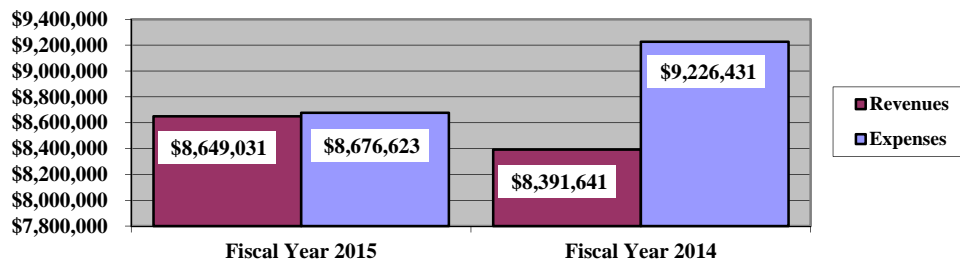
Net position of the District's governmental activities decreased \$27,592. Total governmental expenses of \$8,676,623 were offset by program revenues of \$1,788,842 and general revenues of \$6,860,189. Program revenues supported 20.62% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 77.26% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,907,713 or 56.56% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal years' ended June 30, 2015 and June 30, 2014.

**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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

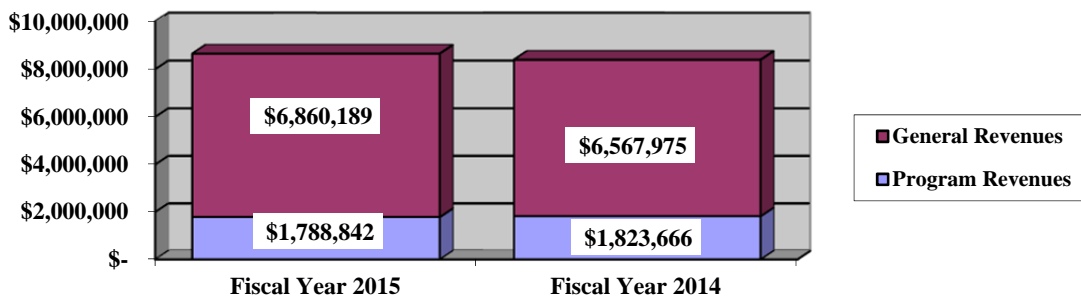
**Governmental Activities**

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,514,827	\$ 3,222,705	\$ 3,697,260	\$ 3,432,814
Special	1,179,810	262,855	1,209,801	255,785
Vocational	212,326	137,134	238,657	141,974
Adult continuing	750	750	1,000	1,000
Support services:				
Pupil	213,804	200,530	221,524	203,306
Instructional staff	202,471	197,007	228,103	224,821
Board of education	24,839	24,839	27,038	27,038
Administration	819,097	738,811	924,136	842,382
Fiscal	278,842	278,842	278,249	278,249
Business	284	284	21,952	21,952
Operations and maintenance	985,313	985,313	1,044,897	1,044,897
Pupil transportation	710,032	685,036	789,265	768,063
Central	12,418	12,418	12,764	12,764
Operations of non-instructional services				
Food service operations	296,527	(17,229)	307,276	(12,083)
Extracurricular activities	156,685	89,888	146,375	81,669
Interest and fiscal charges	68,598	68,598	78,134	78,134
Total expenses	<u>\$ 8,676,623</u>	<u>\$ 6,887,781</u>	<u>\$ 9,226,431</u>	<u>\$ 7,402,765</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 73.83% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.38%.

The graph below presents the District's governmental activities revenue for fiscal years' ended June 30, 2015 and June 30, 2014.

**Governmental Activities - General and Program Revenues**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,012,791, which is more than last year's total of \$1,570,050. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and June 30, 2014.

	Fund Balance June 30, 2015	Fund Balance (deficit) June 30, 2014	Increase	Percentage Change
General	\$ 700,395	\$ 304,204	\$ 396,191	130.24 %
Debt Service	282,938	274,930	8,008	2.91 %
Classroom Facilities	994,067	993,073	994	0.10 %
Other Governmental	<u>35,391</u>	<u>(2,157)</u>	<u>37,548</u>	(1,740.75) %
Total	<u>\$ 2,012,791</u>	<u>\$ 1,570,050</u>	<u>\$ 442,741</u>	28.20 %

An analysis of the general fund revenues and expenditures is provided below.

**General Fund**

The District's general fund balance increased \$396,191. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2015 Amount	2014 Amount	Increase/ (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 1,371,806	\$ 1,296,507	\$ 75,299	5.81 %
Tuition	190,776	129,005	61,771	47.88 %
Earnings on investments	2,269	2,167	102	4.71 %
Intergovernmental	5,604,148	5,529,626	74,522	1.35 %
Other revenues	<u>114,425</u>	<u>175,914</u>	<u>(61,489)</u>	(34.95) %
Total	<u>\$ 7,283,424</u>	<u>\$ 7,133,219</u>	<u>\$ 150,205</u>	2.11 %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,727,110	\$ 3,807,134	\$ (80,024)	(2.10) %
Support services	3,020,193	3,282,172	(261,979)	(7.98) %
Extracurricular activities	77,175	74,381	2,794	3.76 %
Facilities acquisition and construction	1,715	1,305	410	31.42 %
Debt service	<u>61,040</u>	<u>61,039</u>	<u>1</u>	0.00 %
Total	<u>\$ 6,887,233</u>	<u>\$ 7,226,031</u>	<u>\$ (338,798)</u>	(4.69) %

Tax revenues increased \$75,299 due to an increase in the collection of real estate taxes. Intergovernmental revenues increased due an increase in basic foundation revenues. The increase in tuition revenues was a result of more students participating in the open enrollment program throughout the District. The decrease in other revenues was a result of less miscellaneous general receipts being received by the District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The District's decrease in instruction expenditures is a result of a decrease in regular and special instruction. This can be attributed to a decrease in the amount of accrued wages and benefits related to staff from the previous fiscal year. The decrease in support services can be attributed to a decrease in instructional staff and pupil transportation expenditures. All other revenues and expenditures remained comparable to the prior year.

***Debt Service Fund***

The debt service fund had \$222,180 in revenues and \$214,172 in expenditures. During fiscal year 2015, the debt service fund's fund balance increased \$8,008 from \$274,930 to \$282,938.

***Classroom Facilities Fund***

The classroom facilities fund had \$994 in revenues and \$0 expenditures. During fiscal year 2015, the classroom facilities fund's fund balance increased \$994 from \$993,073 to \$994,067.

***General Fund Budgeting Highlights***

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

For the general fund, original and final budgeted revenues and other financing sources were \$7,059,570. Actual revenues and other financing sources for fiscal year 2015 were \$7,220,696. This represents a \$161,126 increase from final budgeted and actual revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$7,203,971 were increased by \$71,700 in the final appropriations. The actual budget basis expenditures and other financing sources for fiscal year 2015 totaled \$6,982,073, which was \$293,598 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the District had \$15,567,417 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 2015 balances compared to fiscal year 2014:

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

	Governmental Activities	
	2015	2014
Land	\$ 169,230	\$ 169,230
Land improvements	518,069	565,876
Building and improvements	14,364,094	15,147,673
Furniture and equipment	131,296	144,954
Vehicles	384,728	482,927
Total	\$ 15,567,417	\$ 16,510,660

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The overall decrease in capital assets of \$943,243 is due to depreciation expense of \$949,903 exceeding capital outlays of \$6,660 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, 2015, the District had \$1,157,455 in general obligation bonds, and \$59,476 in capital lease obligations outstanding. Of this total, \$187,476 is due within one year and \$1,027,455 is due in greater than one year.

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

**Outstanding Debt, at Year End**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds	\$ 1,157,455	\$ 1,269,185
Energy conservation notes	-	29,000
Capital lease obligation	<u>59,476</u>	<u>117,428</u>
<b>Total</b>	<b><u><u>\$ 1,216,931</u></u></b>	<b><u><u>\$ 1,415,613</u></u></b>

At June 30, 2015, the District's overall legal debt margin was \$5,442,703, and an unvoted debt margin of \$69,831. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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: Ms. Lee Howard, Treasurer, 44870 State Route 7, New Matamoras, Ohio, 45767-6149.

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

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$2,653,953
Cash in segregated accounts . . . . .	211
Receivables:	
Property taxes . . . . .	1,719,231
Accounts. . . . .	150
Intergovernmental . . . . .	86,908
Materials and supplies inventory. . . . .	374
Inventory held for resale. . . . .	5,165
Capital assets:	
Nondepreciable capital assets . . . . .	169,230
Depreciable capital assets, net. . . . .	15,398,187
Capital assets, net . . . . .	15,567,417
Total assets. . . . .	20,033,409
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding.	12,234
Pension - STRS . . . . .	461,122
Pension - SERS . . . . .	145,715
Total deferred outflows of resources . . . . .	619,071
 <b>Liabilities:</b>	
Accounts payable. . . . .	5,531
Accrued wages and benefits payable . . . . .	611,134
Intergovernmental payable . . . . .	25,701
Pension and postemployment benefits payable. . . . .	102,965
Accrued interest payable . . . . .	5,540
Long-term liabilities:	
Due within one year. . . . .	227,896
Due in more than one year:	
Net pension liability (See Note 14) . . . . .	8,595,963
Other amounts due in more than one year . . . . .	1,972,510
Total liabilities . . . . .	11,547,240
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	1,522,163
Pension - STRS. . . . .	1,254,297
Pension - SERS. . . . .	294,761
Total deferred inflows of resources . . . . .	3,071,221
 <b>Net position:</b>	
Net investment in capital assets . . . . .	14,367,464
Restricted for:	
Capital projects . . . . .	996,485
Classroom facilities maintenance . . . . .	25,948
Debt service. . . . .	256,240
State funded programs. . . . .	12,575
Federally funded programs . . . . .	7,465
Student activities . . . . .	25,699
Unrestricted (deficit) . . . . .	(9,657,857)
Total net position. . . . .	\$6,034,019

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, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$3,514,827	\$207,145	\$84,977	(\$3,222,705)
Special . . . . .	1,179,810	0	916,955	(262,855)
Vocational . . . . .	212,326	0	75,192	(137,134)
Adult/continuing. . . . .	750	0	0	(750)
Support services:				
Pupil. . . . .	213,804	0	13,274	(200,530)
Instructional staff . . . . .	202,471	0	5,464	(197,007)
Board of education . . . . .	24,839	0	0	(24,839)
Administration. . . . .	819,097	0	80,286	(738,811)
Fiscal. . . . .	278,842	0	0	(278,842)
Business. . . . .	284	0	0	(284)
Operations and maintenance . . . . .	985,313	0	0	(985,313)
Pupil transportation. . . . .	710,032	0	24,996	(685,036)
Central . . . . .	12,418	0	0	(12,418)
Operation of non-instructional services:				
Food service operations . . . . .	296,527	87,472	226,284	17,229
Extracurricular activities. . . . .	156,685	66,797	0	(89,888)
Interest and fiscal charges . . . . .	68,598	0	0	(68,598)
<b>Totals . . . . .</b>	<b>\$8,676,623</b>	<b>\$361,414</b>	<b>\$1,427,428</b>	<b>(\$6,887,781)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				1,439,328
Special revenue. . . . .				22,674
Debt service. . . . .				199,267
Payments in lieu of taxes. . . . .				76,691
Grants and entitlements not restricted				
to specific programs . . . . .				5,020,910
Investment earnings . . . . .				3,263
Miscellaneous . . . . .				98,056
Total general revenues . . . . .				6,860,189
Change in net position . . . . .				(27,592)
<b>Net position at beginning of year (restated) . . . . .</b>				<b>6,061,611</b>
<b>Net position at end of year. . . . .</b>				<b>\$6,034,019</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$1,247,516	\$275,319	\$994,067	\$137,051	\$2,653,953
Cash in segregated accounts . . . . .	0	0	0	211	211
Receivables:					
Property taxes. . . . .	1,517,762	177,697	0	23,772	1,719,231
Accounts . . . . .	0	0	0	150	150
Intergovernmental. . . . .	46,183	0	0	40,725	86,908
Materials and supplies inventory. . . . .	0	0	0	374	374
Inventory held for resale. . . . .	0	0	0	5,165	5,165
Loans receivable. . . . .	30,000	0	0	0	30,000
Total assets . . . . .	<u>\$2,841,461</u>	<u>\$453,016</u>	<u>\$994,067</u>	<u>\$207,448</u>	<u>\$4,495,992</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$4,471	\$0	\$0	\$1,060	\$5,531
Accrued wages and benefits payable . . . . .	519,856	0	0	91,278	611,134
Compensated absences payable . . . . .	8,248	0	0	0	8,248
Intergovernmental payable . . . . .	23,878	0	0	1,823	25,701
Pension and postemployment benefits payable. . . . .	86,909	0	0	16,056	102,965
Loans payable. . . . .	0	0	0	30,000	30,000
Total liabilities. . . . .	<u>643,362</u>	<u>0</u>	<u>0</u>	<u>140,217</u>	<u>783,579</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . . . .	1,342,323	158,781	0	21,059	1,522,163
Delinquent property tax revenue not available. . . . .	113,262	11,297	0	1,772	126,331
Intergovernmental revenue not available. . . . .	42,119	0	0	9,009	51,128
Total deferred inflows of resources . . . . .	<u>1,497,704</u>	<u>170,078</u>	<u>0</u>	<u>31,840</u>	<u>1,699,622</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	0	0	0	374	374
Restricted:					
Debt service . . . . .	0	282,938	0	0	282,938
Capital improvements . . . . .	0	0	994,067	2,418	996,485
Classroom facilities maintenance . . . . .	0	0	0	24,176	24,176
Food service operations . . . . .	0	0	0	5,990	5,990
Other purposes. . . . .	0	0	0	17,739	17,739
Extracurricular activities. . . . .	0	0	0	25,699	25,699
Assigned:					
Student instruction . . . . .	5,524	0	0	0	5,524
Student and staff support. . . . .	34,009	0	0	0	34,009
Other purposes. . . . .	19,782	0	0	0	19,782
Unassigned (deficit). . . . .	641,080	0	0	(41,005)	600,075
Total fund balances . . . . .	<u>700,395</u>	<u>282,938</u>	<u>994,067</u>	<u>35,391</u>	<u>2,012,791</u>
Total liabilities, deferred inflows and fund balances	<u>\$2,841,461</u>	<u>\$453,016</u>	<u>\$994,067</u>	<u>\$207,448</u>	<u>\$4,495,992</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, 2015

<b>Total governmental fund balances</b>		\$2,012,791
<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.		15,567,417
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$126,331	
Intergovernmental receivable	51,128	
Total	177,459	177,459
Unamortized premiums on bonds issued are not recognized in the funds.		(27,711)
Unamortized amounts on refundings are not recognized in the funds.		12,234
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(5,540)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	606,837	
Deferred inflows of resources - pension	(1,549,058)	
Net pension liability	(8,595,963)	
Total	(9,538,184)	(9,538,184)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(609,267)	
General obligation current interest bonds	(1,065,000)	
General obligation capital appreciation bonds	(60,000)	
Accreted interest on capital appreciation bonds	(32,455)	
Pollution remediation obligation payable	(338,249)	
Capital lease obligation	(59,476)	
Total	(2,164,447)	(2,164,447)
<b>Net position of governmental activities</b>		<b>\$6,034,019</b>

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, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$1,371,806	\$193,448	\$0	\$21,587	\$1,586,841
Tuition. . . . .	190,776	0	0	0	190,776
Earnings on investments . . . . .	2,269	0	994	0	3,263
Charges for services . . . . .	0	0	0	87,472	87,472
Extracurricular. . . . .	0	0	0	66,797	66,797
Classroom materials and fees . . . . .	16,369	0	0	0	16,369
Contributions and donations . . . . .	10,460	0	0	0	10,460
Other local revenues . . . . .	87,596	448	0	55	88,099
Payment in lieu of taxes. . . . .	76,691	0	0	0	76,691
Intergovernmental - state . . . . .	5,527,457	28,284	0	53,461	5,609,202
Intergovernmental - federal . . . . .	0	0	0	829,554	829,554
Total revenues . . . . .	<u>7,283,424</u>	<u>222,180</u>	<u>994</u>	<u>1,058,926</u>	<u>8,565,524</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular. . . . .	2,720,903	0	0	83,818	2,804,721
Special . . . . .	774,152	0	0	420,253	1,194,405
Vocational . . . . .	231,305	0	0	6,250	237,555
Adult/continuing . . . . .	750	0	0	0	750
Support services:					
Pupil . . . . .	200,453	0	0	13,360	213,813
Instructional staff . . . . .	197,774	0	0	5,233	203,007
Board of education . . . . .	24,931	0	0	0	24,931
Administration . . . . .	766,201	0	0	81,111	847,312
Fiscal . . . . .	284,957	4,252	0	555	289,764
Business. . . . .	284	0	0	0	284
Operations and maintenance . . . . .	932,261	0	0	60,765	993,026
Pupil transportation . . . . .	600,867	0	0	0	600,867
Central . . . . .	12,465	0	0	0	12,465
Operation of non-instructional services:					
Food service operations. . . . .	0	0	0	292,406	292,406
Extracurricular activities . . . . .	77,175	0	0	57,627	134,802
Facilities acquisition and construction. . . . .	1,715	0	0	0	1,715
Debt service:					
Principal retirement. . . . .	57,952	149,000	0	0	206,952
Interest and fiscal charges . . . . .	3,088	60,920	0	0	64,008
Total expenditures . . . . .	<u>6,887,233</u>	<u>214,172</u>	<u>0</u>	<u>1,021,378</u>	<u>8,122,783</u>
Net change in fund balances . . . . .	396,191	8,008	994	37,548	442,741
<b>Fund balances (deficit) at beginning of year. . . . .</b>	<u>304,204</u>	<u>274,930</u>	<u>993,073</u>	<u>(2,157)</u>	<u>1,570,050</u>
<b>Fund balances at end of year. . . . .</b>	<u><u>\$700,395</u></u>	<u><u>\$282,938</u></u>	<u><u>\$994,067</u></u>	<u><u>\$35,391</u></u>	<u><u>\$2,012,791</u></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, 2015

<b>Net change in fund balances - total governmental funds</b>		\$442,741
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$6,660	
Current year depreciation	(949,903)	
Total	(943,243)	(943,243)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	74,428	
Intergovernmental	(6,435)	
Total	67,993	67,993
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	120,000	
Notes	29,000	
Capital leases	57,952	
Total	206,952	206,952
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	1,593	
Accreted interest on capital appreciation bonds	(8,270)	
Amortization of bond premiums	3,736	
Amortization of deferred charges	(1,649)	
Total	(4,590)	(4,590)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		526,109
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(368,976)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		45,422
<b>Change in net position of governmental activities</b>		<b>(\$27,592)</b>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$1,185,000	\$1,185,000	\$1,271,164	\$86,164
Tuition. . . . .	130,000	130,000	190,776	60,776
Earnings on investments . . . . .	2,500	2,500	2,269	(231)
Classroom materials and fees . . . . .	14,500	14,500	16,368	1,868
Other local revenues . . . . .	75,000	75,000	87,292	12,292
Intergovernmental - intermediate . . . . .	75,000	75,000	76,691	1,691
Intergovernmental - state . . . . .	5,512,570	5,512,570	5,504,314	(8,256)
Total revenues . . . . .	<u>6,994,570</u>	<u>6,994,570</u>	<u>7,148,874</u>	<u>154,304</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,707,855	2,734,921	2,733,388	1,533
Special. . . . .	781,260	789,068	787,663	1,405
Vocational. . . . .	228,354	230,636	224,616	6,020
Support services:				
Pupil. . . . .	219,837	222,034	210,811	11,223
Instructional staff . . . . .	233,737	236,073	198,276	37,797
Board of education . . . . .	34,885	35,234	24,250	10,984
Administration. . . . .	814,985	823,130	759,070	64,060
Fiscal . . . . .	295,994	298,952	288,307	10,645
Business . . . . .	335	338	284	54
Operations and maintenance. . . . .	1,062,907	1,073,530	972,405	101,125
Pupil transportation . . . . .	733,232	740,560	697,421	43,139
Central. . . . .	13,069	13,200	12,908	292
Extracurricular activities. . . . .	75,590	76,045	70,959	5,086
Facilities acquisition and construction . . . . .	1,931	1,950	1,715	235
Total expenditures . . . . .	<u>7,203,971</u>	<u>7,275,671</u>	<u>6,982,073</u>	<u>293,598</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(209,401)</u>	<u>(281,101)</u>	<u>166,801</u>	<u>447,902</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	65,000	65,000	71,822	6,822
Total other financing sources. . . . .	<u>65,000</u>	<u>65,000</u>	<u>71,822</u>	<u>6,822</u>
Net change in fund balance . . . . .	(144,401)	(216,101)	238,623	454,724
<b>Fund balance at beginning of year . . . . .</b>	431,647	431,647	431,647	0
<b>Prior year encumbrances appropriated . . . . .</b>	46,278	46,278	46,278	0
<b>Fund balance at end of year . . . . .</b>	<u>\$333,524</u>	<u>\$261,824</u>	<u>\$716,548</u>	<u>\$454,724</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, 2015

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	<u>\$10,999</u>
Total assets. . . . .	<u><u>\$10,999</u></u>
<b>Liabilities:</b>	
Due to students. . . . .	<u>\$10,999</u>
Total liabilities . . . . .	<u><u>\$10,999</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, 2015

**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 three instructional/support facilities staffed by 34 classified employees, 52 certified full time teaching personnel and 4 administrators, who provide services to 700 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, 2015

**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 2015, the District paid \$82,450 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, 2015

**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, 2015

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the 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 2015 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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 2015.
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, 2015. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

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

**F. Cash and Investments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2015. 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, 2015.

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 2015 amounted to \$2,269, which includes \$841 assigned from other funds.

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

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

**G. Inventory**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “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.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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.

**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 2015, 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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**Q. Pensions**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 14 to the financial statements, and added required supplementary information which is presented on pages 60 - 66.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	Governmental Activities
Net position as previously reported	\$ 15,756,928
Deferred outflows - payments subsequent to measurement date	514,754
Net pension liability	(10,210,071)
Restated net position at July 1, 2014	\$ 6,061,611

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part-B	\$ 14,010
Title I - disadvantaged children	19,022
Improving teacher quality	7,973

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance 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;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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, \$211 was on deposit in the District's athletic official's 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".

**FRONTIER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$2,663,108. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$2,499,609 of the District’s bank balance of \$2,749,609 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2015, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 2,055	\$ 2,055

*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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,055	100.00

**FRONTIER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,663,108
Investments	<u>2,055</u>
Total	<u>\$ 2,665,163</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,654,164
Agency fund	<u>10,999</u>
Total	<u>\$ 2,665,163</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2015, as reported on the fund financial statements, consist of the following loans receivable and payable:

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

Loans receivable/payable are long-term interfund loans, and are not expected to be repaid in the subsequent fiscal year. The primary purpose of the loan is to cover costs where revenues were not received by June 30. The loan will be repaid once the anticipated revenues are received. 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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$62,177 in the general fund, \$7,619 in the debt service fund and \$941 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, 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). 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, 2015 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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 63,199,720	91.72	\$ 63,435,220	90.84
Public utility personal	<u>5,705,990</u>	<u>8.28</u>	<u>6,395,500</u>	<u>9.16</u>
Total	<u>\$ 68,905,710</u>	<u>100.00</u>	<u>\$ 69,830,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$37.68		\$34.36

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – RECEIVABLES (Continued)**

<u>Governmental activities</u>	
Medicaid school program reimbursement	\$ 40,471
SFPR JV01 adjustment	4,064
IDEA Part-B	14,489
Title I	22,839
Improving teacher quality	3,397
School employees retirement system reimbursement	1,648
Total	<u>\$ 86,908</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, 2015, was as follows:

	Balance <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/15</u>
<b>Governmental activities:</b>				
<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	1,174,091	-	-	1,174,091
Buildings and improvements	25,235,954	-	-	25,235,954
Furniture and equipment	716,975	6,660	-	723,635
Vehicles	1,569,671	-	-	1,569,671
Total capital assets, being depreciated	<u>28,696,691</u>	<u>6,660</u>	<u>-</u>	<u>28,703,351</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(608,215)	(47,807)	-	(656,022)
Buildings and improvements	(10,088,281)	(783,579)	-	(10,871,860)
Furniture and equipment	(572,021)	(20,318)	-	(592,339)
Vehicles	(1,086,744)	(98,199)	-	(1,184,943)
Total accumulated depreciation	<u>(12,355,261)</u>	<u>(949,903)</u>	<u>-</u>	<u>(13,305,164)</u>
Governmental activities capital assets, net	<u>\$ 16,510,660</u>	<u>\$ (943,243)</u>	<u>\$ -</u>	<u>\$ 15,567,417</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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	1,082
Pupil transportation	111,842
Food service operations	9,361
Extracurricular activities	<u>24,831</u>
Total depreciation expense	<u>\$ 949,903</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, 2015 was \$91,689 for the copier leases, leaving no current book value of and \$54,342 for the school buses leaving a current book value of \$119,552. A corresponding liability was recorded on the statement of net position. Principal and interest payments in the 2015 fiscal year totaled \$57,952 and \$3,088, 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, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	<u>\$ 61,040</u>
Total minimum lease payments	61,040
Less: Amount representing interest	<u>(1,564)</u>
Total	<u>\$ 59,476</u>



**FRONTIER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

During the fiscal year 2015 the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

<u>Governmental activities:</u>	(Restated) Balance 06/30/14	<u>Increases</u>	<u>Decreases</u>	Balance 06/30/15	Amount Due Within One Year
<u>General obligation bonds</u>					
Current interest bonds-series 2000	\$ 780,000	\$ -	\$ (110,000)	\$ 670,000	\$ 120,000
Current interest refunding serial bonds-series 2010	175,000	-	-	175,000	-
Current interest refunding term bonds-series 2010	230,000	-	(10,000)	220,000	10,000
Capital appreciation refunding bonds-series 2010	60,000	-	-	60,000	-
Accreted interest-series 2010	<u>24,185</u>	<u>8,270</u>	<u>-</u>	<u>32,455</u>	<u>-</u>
Total general obligation bonds	<u>1,269,185</u>	<u>8,270</u>	<u>(120,000)</u>	<u>1,157,455</u>	<u>130,000</u>
Energy conservation note	29,000	-	(29,000)	-	-
Capital lease obligation	117,428	-	(57,952)	59,476	59,476
Pollution remediation obligation	338,249	-	-	338,249	-
Net pension liability	10,210,071	-	(1,614,108)	8,595,963	-
Compensated absences	<u>714,133</u>	<u>42,890</u>	<u>(139,508)</u>	<u>617,515</u>	<u>38,420</u>
Total long-term obligations	<u>\$ 12,678,066</u>	<u>\$ 51,160</u>	<u>\$ (1,960,568)</u>	<u>\$ 10,768,658</u>	<u>\$ 227,896</u>
Add: Unamortized premium on bonds - 2010				<u>27,711</u>	
Total reported on statement of net position				<u>\$ 10,796,369</u>	

Net pension liability - See Note 14 for details.

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, 2015, are as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
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	150,000	4,875	154,875
Total	<u>\$ 670,000</u>	<u>\$ 113,751</u>	<u>\$ 783,751</u>

Classroom facilities general obligation refunding bonds - series 2010 - On October 21, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund a portion of the callable portion of the Series 2000 school improvement general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The remaining balance of the series 2000 general obligation bonds at June 30, 2015, is \$670,000.

The refunding issue is comprised of both serial and term current interest bonds, par value \$175,000 and \$265,000 respectively, and capital appreciation bonds par value \$60,000. The interest rates on the serial and term current interest bonds are 3.40% and 3.10%, respectively. The bonds will be retired through the debt service fund (a nonmajor governmental fund). The capital appreciation bonds mature on December 1, 2021 (effective interest rate 9.59622%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2021 is \$170,000. Total accreted interest of \$32,455 has been included in the statement of net position at June 30, 2015.

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:

Year (December 1)	Principal Amount to be Redeemed
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, 2015, the remaining premium was \$27,711.

**FRONTIER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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, 2015, there was a balance of \$12,234. This advance refunding was undertaken to reduce the combined total debt service payments over the next 12 years by \$96,276 and resulted in an economic gain of \$77,382.

Principal and interest requirements to retire the series 2010 general obligation refunding bonds and capital appreciation bonds outstanding at June 30, 2015, 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>
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	10,000	11,375	21,375	-	-	-
2021 - 2023	<u>345,000</u>	<u>17,510</u>	<u>362,510</u>	<u>60,000</u>	<u>110,000</u>	<u>170,000</u>
Total	<u>\$ 395,000</u>	<u>\$ 77,485</u>	<u>\$ 472,485</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.

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 in question is currently above delineation levels. The District is continuing cleanup measures to reach levels below the delineation levels.

Legal debt margin - The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$5,442,703 (including available funds of \$282,938) and an unvoted debt margin of \$69,831.

**FRONTIER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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 31<sup>st</sup> 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 2015, one employee elected to participate in the retirement incentive plan. There is no early retirement incentive liability reported at June 30, 2015.

**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 to 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 to 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 \$44,707,787 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.

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**NOTE 13 - RISK MANAGEMENT - (Continued)**

**B. Workers Compensation**

For fiscal year 2015, 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.

**C. Medical, Prescription, Life, Vision and Dental**

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

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

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$130,258 for fiscal year 2015. Of this amount \$12,462 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$395,851 for fiscal year 2015. Of this amount, \$64,500 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 1,816,119	\$ 6,779,844	\$ 8,595,963
Proportion of the net pension liability	0.0358850%	0.0278737%	
Pension expense	\$ 105,981	\$ 262,995	\$ 368,976



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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 15,457	\$ 65,271	\$ 80,728
District contributions subsequent to the measurement date	<u>130,258</u>	<u>395,851</u>	<u>526,109</u>
Total deferred outflows of resources	<u>\$ 145,715</u>	<u>\$ 461,122</u>	<u>\$ 606,837</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 294,761</u>	<u>\$ 1,254,297</u>	<u>\$ 1,549,058</u>
Total deferred inflows of resources	<u>\$ 294,761</u>	<u>\$ 1,254,297</u>	<u>\$ 1,549,058</u>

\$526,109 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (69,826)	\$ (297,256)	\$ (367,082)
2017	(69,826)	(297,256)	(367,082)
2018	(69,826)	(297,256)	(367,082)
2019	<u>(69,826)</u>	<u>(297,258)</u>	<u>(367,084)</u>
Total	<u>\$ (279,304)</u>	<u>\$ (1,189,026)</u>	<u>\$ (1,468,330)</u>

**Actuarial Assumptions - SERS**

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

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

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 2,591,063	\$ 1,816,119	\$ 1,164,325

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 9,706,085	\$ 6,779,844	\$ 4,305,228

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$17,074.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$26,473, \$20,647, and \$18,519, respectively. For fiscal year 2015, 90.99 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$28,724, and \$32,014 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**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);

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**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 238,623
Net adjustment for revenue accruals	(4,637)
Net adjustment for expenditure accruals	150,277
Net adjustment for other sources/uses	(71,822)
Funds budgeted elsewhere	42,885
Adjustment for encumbrances	40,865
GAAP basis	\$ 396,191

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.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - CONTINGENCIES**

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 18 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	120,376
Current year qualifying expenditures	(94,684)
Current year offsets	<u>(25,692)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<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, 2015.

**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>Year-End Encumbrances</u>
<u>Fund Type</u>	
General fund	\$ 39,986
Classroom facilities	2,069
Other governmental	<u>5,393</u>
Total	<u>\$ 47,448</u>

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.03588500%	0.03588500%
District's proportionate share of the net pension liability	\$ 1,816,119	\$ 2,133,966
District's covered-employee payroll	\$ 1,042,742	\$ 1,106,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	192.79%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.02787368%	0.02787368%
District's proportionate share of the net pension liability	\$ 6,779,844	\$ 8,076,105
District's covered-employee payroll	\$ 2,847,923	\$ 3,201,377
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	252.27%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 130,258	\$ 144,524	\$ 153,196	\$ 152,953
Contributions in relation to the contractually required contribution	<u>(130,258)</u>	<u>(144,524)</u>	<u>(153,196)</u>	<u>(152,953)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 988,300	\$ 1,042,742	\$ 1,106,908	\$ 1,137,197
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 130,402	\$ 135,024	\$ 95,078	\$ 98,500	\$ 128,746	\$ 141,376
<u>(130,402)</u>	<u>(135,024)</u>	<u>(95,078)</u>	<u>(98,500)</u>	<u>(128,746)</u>	<u>(141,376)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,037,407	\$ 997,223	\$ 966,240	\$ 1,003,055	\$ 1,205,487	\$ 1,336,257
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 395,851	\$ 370,230	\$ 416,179	\$ 431,737
Contributions in relation to the contractually required contribution	<u>(395,851)</u>	<u>(370,230)</u>	<u>(416,179)</u>	<u>(431,737)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,827,507	\$ 2,847,923	\$ 3,201,377	\$ 3,321,054
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 442,105	\$ 421,926	\$ 423,473	\$ 414,164	\$ 418,930	\$ 427,167
<u>(442,105)</u>	<u>(421,926)</u>	<u>(423,473)</u>	<u>(414,164)</u>	<u>(418,930)</u>	<u>(427,167)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,400,808	\$ 3,245,585	\$ 3,257,485	\$ 3,185,877	\$ 3,222,538	\$ 3,285,900
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**FRONTIER LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$19,762	\$19,762
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	74,021	74,433
National School Lunch Program	2014/2015	10.555	126,635	130,066
Cash Assistance Subtotal			<u>200,655</u>	<u>204,499</u>
Total Child Nutrition Cluster			<u>220,417</u>	<u>224,261</u>
Total U.S. Department of Agriculture			220,417	224,261
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014 2015	84.010	31,249 <u>247,619</u>	32,319 <u>245,860</u>
Total Title I Grants to Local Educational Agencies			<u>278,869</u>	<u>278,179</u>
Special Education Cluster:				
Special Education - Grants to States	2014 2015	84.027	6,541 <u>151,413</u>	11,196 <u>147,358</u>
Total Special Education - Grants to States			<u>157,954</u>	<u>158,554</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2015	84.173	<u>2,133</u>	<u>2,133</u>
Total Special Education Cluster			160,087	160,687
<i>Passed Through Ohio Department of Education:</i>				
Mathematics and Science Partnerships	2014 2015	84.366	0 <u>77,778</u>	14,187 <u>66,044</u>
Total Mathematics and Science Partnerships			<u>77,778</u>	<u>80,231</u>
Improving Teacher Quality State Grants	2014 2015	84.367	1,247 <u>65,156</u>	2,572 <u>64,979</u>
Total Improving Teacher Quality State Grants			<u>66,403</u>	<u>67,551</u>
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2014	84.395A	<u>11,761</u>	<u>7,660</u>
Total U.S. Department of Education			<u>594,898</u>	<u>594,309</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>815,315</u></b>	<b><u>818,569</u></b>

*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 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 the fair value. The District allocated donated food commodities to the respective program that benefitted 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 45767-6149

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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 style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016



# 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 45767-6149

To the Board of Education:

### ***Report on Compliance for the 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, 2015. 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 the 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 affects its major federal program for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 over 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

March 9, 2016

**FRONTIER LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015**

**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 Programs (list): <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies, CFDA # 84.010</li> </ul>	
<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  
MARCH 29, 2016**