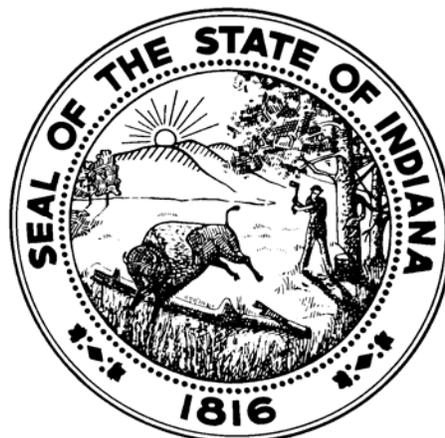


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
FRONTIER SCHOOL CORPORATION
WHITE COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
11/30/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Erin Marconett	07-01-04 to 06-30-07
Superintendent of Schools	Bernard T. Graser	07-01-04 to 06-30-07
President of the School Board	Todd Mansfield Anton Altman	07-01-04 to 06-30-05 07-01-05 to 06-30-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF FRONTIER SCHOOL CORPORATION, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of Frontier School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 30, 2006

FRONTIER SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,463,229
Restricted assets:	
Cash and investments	<u>(81,898)</u>
Total assets	<u>\$ 1,381,331</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ (81,898)
Unrestricted	<u>1,463,229</u>
Total net assets	<u>\$ 1,381,331</u>

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,575,431
Restricted assets:	
Cash and investments	<u>164,551</u>
Total assets	<u>\$ 1,739,982</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 164,551
Unrestricted	<u>1,575,431</u>
Total net assets	<u>\$ 1,739,982</u>

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,839,040	\$ -	\$ 128,675	\$ (2,710,365)
Support services	3,493,513	260,724	98,283	(3,134,506)
Community services	108,470	-	-	(108,470)
Nonprogrammed charges	84,135	-	-	(84,135)
Debt service	4,084,949	-	-	(4,084,949)
Total governmental activities	\$ 10,610,107	\$ 260,724	\$ 226,958	(10,122,425)
General receipts:				
Property taxes				4,374,931
Other local sources				713,057
State aid				2,753,153
Grants and contributions not restricted				150,474
Bonds and loans				1,439,936
Sale of property, adjustments, and refunds				149,506
Investment earnings				20,721
				9,601,778
				(520,647)
				1,901,978
				\$ 1,381,331

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,716,665	\$ -	\$ 79,903	\$ (2,636,762)
Support services	3,312,855	254,382	106,401	(2,952,072)
Community services	115,310	-	-	(115,310)
Nonprogrammed charges	66,733	-	-	(66,733)
Debt service	2,305,946	-	-	(2,305,946)
Total governmental activities	\$ 8,517,509	\$ 254,382	\$ 186,304	(8,076,823)
General receipts:				
Property taxes				3,641,829
Other local sources				524,291
State aid				2,901,543
Grants and contributions not restricted				155,402
Bonds and loans				1,101,240
Sale of property, adjustments, and refunds				58,942
Investment earnings				52,227
Total general receipts				8,435,474
Change in cash and investments				358,651
Net assets - beginning				1,381,331
Net assets - ending				\$ 1,739,982

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,574,391	\$ 335,122	\$ -	\$ 1,294,759	\$ 861,993	\$ 19,817	\$ 282,702	\$ 5,368,784
Intermediate sources	386	-	-	-	-	-	263	649
State sources	2,854,611	-	-	-	-	-	80,420	2,935,031
Federal sources	-	-	-	-	-	-	195,554	195,554
Bonds and loans	837,030	81,828	-	418,606	102,472	-	-	1,439,936
Sale of property, adjustments and refunds	145,411	2,422	-	-	100	-	1,573	149,506
Intergovernmental transfers	8,788	74	167,000	-	112	-	14,000	189,974
Total receipts	6,420,617	419,446	167,000	1,713,365	964,677	19,817	574,512	10,279,434
Disbursements:								
Current:								
Instruction	2,732,913	-	-	-	-	-	106,127	2,839,040
Support services	1,923,583	257,100	44,312	-	845,889	36,933	385,696	3,493,513
Community services	108,068	-	-	-	-	-	402	108,470
Nonprogrammed charges	33,916	69,500	3,828	974	97,500	-	68,391	274,109
Debt services	1,379,335	115,776	-	2,379,146	210,692	-	-	4,084,949
Total disbursements	6,177,815	442,376	48,140	2,380,120	1,154,081	36,933	560,616	10,800,081
Excess (deficiency) of total receipts over (under) total disbursements	242,802	(22,930)	118,860	(666,755)	(189,404)	(17,116)	13,896	(520,647)
Cash and investments - beginning	577,264	86,534	114,229	584,857	295,962	19,807	223,325	1,901,978
Cash and investments - ending	<u>\$ 820,066</u>	<u>\$ 63,604</u>	<u>\$ 233,089</u>	<u>\$ (81,898)</u>	<u>\$ 106,558</u>	<u>\$ 2,691</u>	<u>\$ 237,221</u>	<u>\$ 1,381,331</u>

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,825,500	\$ 242,419	\$ -	\$ 1,385,785	\$ 696,543	\$ 57,652	\$ 263,596	\$ 4,471,495
Intermediate sources	386	-	-	-	-	-	847	1,233
State sources	2,943,471	-	-	-	-	-	71,117	3,014,588
Federal sources	-	-	-	-	-	-	228,662	228,662
Bonds and loans	724,871	106,080	-	70,014	195,711	4,564	-	1,101,240
Sale of property, adjustments and refunds	46,414	8,434	-	-	3,499	-	595	58,942
Intergovernmental transfers	18,539	2,143	75,000	13,330	6,142	383	55,020	170,557
Total receipts	5,559,181	359,076	75,000	1,469,129	901,895	62,599	619,837	9,046,717
Disbursements:								
Current:								
Instruction	2,557,923	-	-	-	-	-	158,742	2,716,665
Support services	1,964,588	206,055	96,075	-	589,313	72,000	384,824	3,312,855
Community services	115,290	-	-	-	-	-	20	115,310
Nonprogrammed charges	102,842	6,143	-	13,330	37,142	383	77,450	237,290
Debt services	828,035	106,080	509	1,209,350	161,972	-	-	2,305,946
Total disbursements	5,568,678	318,278	96,584	1,222,680	788,427	72,383	621,036	8,688,066
Excess (deficiency) of total receipts over (under) total disbursements	(9,497)	40,798	(21,584)	246,449	113,468	(9,784)	(1,199)	358,651
Cash and investments - beginning	820,066	63,604	233,089	(81,898)	106,558	2,691	237,221	1,381,331
Cash and investments - ending	<u>\$ 810,569</u>	<u>\$ 104,402</u>	<u>\$ 211,505</u>	<u>\$ 164,551</u>	<u>\$ 220,026</u>	<u>\$ (7,093)</u>	<u>\$ 236,022</u>	<u>\$ 1,739,982</u>

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust</u>	<u>Private Purpose Trust</u>
Additions:		
Local sources	\$ 61,132	\$ 4,466
Sale of property, adjustments and refunds	<u>-</u>	<u>1,000</u>
Total additions	<u>61,132</u>	<u>5,466</u>
Deductions:		
Instruction	-	3,289
Support services	647	4,987
Debt services	<u>62,364</u>	<u>-</u>
Total deductions	<u>63,011</u>	<u>8,276</u>
Deficiency of total additions under total deductions	(1,879)	(3,810)
Cash and investments - beginning	<u>736</u>	<u>4,713</u>
Cash and investments - ending	<u>\$ (1,143)</u>	<u>\$ 903</u>

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust	Private Purpose Trust
Additions:		
Local sources	\$ 40,750	\$ 2,500
Transfers	379	-
Total additions	41,129	2,500
Deductions:		
Instruction	-	1,249
Support services	-	250
Nonprogrammed charges	379	2,000
Debt service	39,660	-
Total deductions	40,039	3,499
Excess (deficiency) of total additions over (under) total deductions	1,090	(999)
Cash and investments - beginning	(1,143)	903
Cash and investments - ending	\$ (53)	\$ (96)

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Cash and investments	\$ (1,143)	\$ 903	\$ 6,468
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ (1,143)	\$ 903	

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Cash and investments	\$ (53)	\$ (96)	\$ 11,879
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ (53)	\$ (96)	

The accompanying notes are an integral part of the financial statements.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

FRONTIER SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 612,880	\$ 519,072	\$ 93,808	118%	\$ 622,667	15%
07-01-04	622,339	511,941	110,398	122%	616,529	18%
07-01-05	647,199	478,170	169,029	135%	621,650	27%

FRONTIER SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 8,802,840
Improvements other than buildings	499,663
Machinery and equipment	2,081,951
	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 11,384,454</u>

FRONTIER SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Building Lease	\$ 8,020,000	\$ 625,000
Energy Lease	\$ 832,574	\$ 143,129
Computer Lease #1	\$ 77,804	\$ 38,015
Computer Lease # 2	\$ 34,540	\$ 16,798
Bonds payable:		
General obligation bonds:		
Retirement Bonds	250,000	30,000
	-	-
Total governmental activities long-term debt	\$ 9,214,918	\$ 852,942

FRONTIER SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The following funds were overdrawn in the 2004-2005 school year:

Debt Service Fund	\$ 81,898
Retirement/Severance Bond Fund	1,143

The following funds were overdrawn in the 2005-2006 school year:

School Bus Replacement Fund	\$ 7,093
Retirement/Severance Bond Fund	53
Private Purpose Trust Fund	96

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS – Applies to Frontier Elementary School

The "Detailed Transaction Reports by Account and Sub-Account" were incomplete and not reflective of the receipt activity of the Frontier Elementary School's ECA funds.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OFFICIAL BOND – Applies to Frontier Elementary School

The following official bond was not filed in the Office of the County Recorder:

Nancy Sullivan, Treasurer – Term 07-01-05 to 07-01-06

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

FRONTIER SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

OLD OUTSTANDING CHECKS (WARRANTS) – Applies to Frontier Elementary School

Our review of the bank reconcilements as of June 30, 2006, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivisions; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

- "(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.
- (b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

FRONTIER SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2006, with Erin Marconett, Treasurer; Bernard T. Graser, Superintendent of Schools; and Anton Altman, President of School Board. The officials concurred with our findings.