

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF  
FRONTIER SCHOOL CORPORATION  
WHITE COUNTY, INDIANA  
July 1, 2006 to June 30, 2008



**FILED**  
03/05/2009



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Erin Marconett	07-01-06 to 06-30-09
Superintendent of Schools	Bernard T. Graser	07-01-06 to 06-30-09
President of the School Board	Anton Altman	07-01-06 to 06-30-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE FRONTIER SCHOOL CORPORATION

We have examined the financial information presented herein of the Frontier School Corporation (School), for the period of July 1, 2006 to June 30 2008. The School'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 presents fairly, in all material respects, the financial information of the School for the years ended, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 12, 2009

FRONTIER SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,635,544	\$ -	\$ 31,619	\$ (3,603,925)
Support services	2,387,680	205,192	98,376	(2,084,112)
Community services	121,101	-	-	(121,101)
Nonprogrammed charges	74,724	-	-	(74,724)
Debt service	<u>2,116,412</u>	<u>-</u>	<u>-</u>	<u>(2,116,412)</u>
 Total Government	 <u>\$ 8,335,461</u>	 <u>\$ 205,192</u>	 <u>\$ 129,995</u>	 <u>(8,000,274)</u>
 General receipts:				
Property taxes				2,134,451
Other local sources				606,993
State aid				2,954,073
Bonds and loans				2,060,543
Grants and contributions not restricted to specific programs				165,027
Sale of property, adjustments, and refunds				271,551
Investment earnings				<u>85,676</u>
 Total general receipts, interfund loans, transfers, and special items				 <u>8,278,314</u>
 Change in net assets				 278,040
 Net assets - beginning				 <u>1,739,980</u>
 Net assets - ending				 <u>\$ 2,018,020</u>
 <u>Assets</u>				
Cash and investments				\$ 1,924,744
Restricted assets:				
Cash and investments				<u>93,276</u>
 Total assets				 <u>\$ 2,018,020</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 93,276
Unrestricted				<u>1,924,744</u>
 Total net assets				 <u>\$ 2,018,020</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,578,529	\$ -	\$ 80,387	\$ (3,498,142)
Support services	3,077,101	211,085	111,552	(2,754,464)
Community services	127,685	-	-	(127,685)
Nonprogrammed charges	141,537	-	-	(141,537)
Debt service	3,006,335	-	-	(3,006,335)
<b>Total Government</b>	<b><u>\$ 9,931,187</u></b>	<b><u>\$ 211,085</u></b>	<b><u>\$ 191,939</u></b>	<b><u>(9,528,163)</u></b>
General receipts:				
Property taxes				3,205,629
Other local sources				611,445
State aid				2,815,056
Bonds and loans				2,130,299
Grants and contributions not restricted to specific programs				191,113
Sale of property, adjustments, and refunds				171,841
Investment earnings				60,894
<b>Total general receipts, interfund loans, transfers, and special items</b>				<b><u>9,186,277</u></b>
<b>Change in net assets</b>				<b>(341,886)</b>
<b>Net assets - beginning</b>				<b><u>2,018,020</u></b>
<b>Net assets - ending</b>				<b><u>\$ 1,676,134</u></b>
<u>Assets</u>				
Cash and investments				<u>\$ 1,676,134</u>
<b>Total assets</b>				<b><u>\$ 1,676,134</u></b>
<u>Net Assets</u>				
Unrestricted				<u>\$ 1,676,134</u>
<b>Total net assets</b>				<b><u>\$ 1,676,134</u></b>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 1,250,624	\$ 159,191	\$ -	\$ 819,409	\$ 455,429	\$ 47,098	\$ 298,964	\$ 3,030,715
Intermediate sources	386	-	-	-	-	-	1,211	1,597
State sources	2,962,296	-	-	-	-	-	76,988	3,039,284
Federal sources	-	-	-	-	-	-	209,811	209,811
Bonds and loans	1,149,131	177,496	-	188,940	498,118	46,858	-	2,060,543
Sale of property, adjustments and refunds	32,650	10,266	-	-	228,635	-	-	271,551
<b>Total receipts</b>	<b>5,395,087</b>	<b>346,953</b>	<b>-</b>	<b>1,008,349</b>	<b>1,182,182</b>	<b>93,956</b>	<b>586,974</b>	<b>8,613,501</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	3,492,957	-	-	-	-	-	142,587	3,635,544
Support services	1,001,667	239,630	37,001	-	742,483	4,854	362,045	2,387,680
Community services	121,040	-	-	-	-	-	61	121,101
Nonprogrammed charges	43,909	-	-	-	-	-	30,815	74,724
Debt services	633,612	103,476	-	1,074,825	304,499	-	-	2,116,412
<b>Total disbursements</b>	<b>5,293,185</b>	<b>343,106</b>	<b>37,001</b>	<b>1,074,825</b>	<b>1,046,982</b>	<b>4,854</b>	<b>535,508</b>	<b>8,335,461</b>
Excess (deficiency) of receipts over disbursements	101,902	3,847	(37,001)	(66,476)	135,200	89,102	51,466	278,040
<b>Other financing sources (uses):</b>								
Transfers in	2,134	-	115,000	-	-	-	4,800	121,934
Transfers out	(65,000)	(30,000)	-	(4,800)	(20,000)	-	(2,134)	(121,934)
<b>Total other financing sources (uses)</b>	<b>(62,866)</b>	<b>(30,000)</b>	<b>115,000</b>	<b>(4,800)</b>	<b>(20,000)</b>	<b>-</b>	<b>2,666</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,036	(26,153)	77,999	(71,276)	115,200	89,102	54,132	278,040
Cash and investments - beginning	810,570	104,402	211,506	164,552	220,025	(7,093)	236,018	1,739,980
Cash and investments - ending	<u>\$ 849,606</u>	<u>\$ 78,249</u>	<u>\$ 289,505</u>	<u>\$ 93,276</u>	<u>\$ 335,225</u>	<u>\$ 82,009</u>	<u>\$ 290,150</u>	<u>\$ 2,018,020</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 849,606	\$ 78,249	\$ 289,505	\$ -	\$ 335,225	\$ 82,009	\$ 290,150	\$ 1,924,744
Restricted assets:								
Cash and investments	-	-	-	93,276	-	-	-	93,276
<b>Total cash and investment assets - ending</b>	<u>\$ 849,606</u>	<u>\$ 78,249</u>	<u>\$ 289,505</u>	<u>\$ 93,276</u>	<u>\$ 335,225</u>	<u>\$ 82,009</u>	<u>\$ 290,150</u>	<u>\$ 2,018,020</u>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 93,276	\$ -	\$ -	\$ -	\$ 93,276
Unrestricted	849,606	78,249	289,505	-	335,225	82,009	290,150	1,924,744
<b>Total cash and investment fund balance - ending</b>	<u>\$ 849,606</u>	<u>\$ 78,249</u>	<u>\$ 289,505</u>	<u>\$ 93,276</u>	<u>\$ 335,225</u>	<u>\$ 82,009</u>	<u>\$ 290,150</u>	<u>\$ 2,018,020</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 1,811,265	\$ 226,758	\$ -	\$ 982,058	\$ 698,522	\$ 78,630	\$ 291,247	\$ 4,088,480
Intermediate sources	386	-	-	-	-	-	188	574
State sources	2,855,067	-	-	-	-	-	115,495	2,970,562
Federal sources	2,655	-	-	-	-	-	224,890	227,545
Bonds and loans	1,186,297	184,600	-	151,368	541,184	63,242	3,608	2,130,299
Sale of property, adjustments and refunds	37,751	7,561	-	-	126,509	-	20	171,841
<b>Total receipts</b>	<b>5,893,421</b>	<b>418,919</b>	<b>-</b>	<b>1,133,426</b>	<b>1,366,215</b>	<b>141,872</b>	<b>635,448</b>	<b>9,589,301</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	3,426,670	-	-	-	-	-	151,859	3,578,529
Support services	1,156,279	271,935	28,620	-	1,004,373	167,644	448,250	3,077,101
Community services	127,685	-	-	-	-	-	-	127,685
Nonprogrammed charges	79,724	-	-	-	-	-	61,813	141,537
Debt services	1,121,121	155,922	7,096	1,221,928	448,718	51,422	128	3,006,335
<b>Total disbursements</b>	<b>5,911,479</b>	<b>427,857</b>	<b>35,716</b>	<b>1,221,928</b>	<b>1,453,091</b>	<b>219,066</b>	<b>662,050</b>	<b>9,931,187</b>
Excess (deficiency) of receipts over disbursements	(18,058)	(8,938)	(35,716)	(88,502)	(86,876)	(77,194)	(26,602)	(341,886)
<b>Other financing sources (uses):</b>								
Transfers in	-	-	429,165	-	-	7,700	16,433	453,298
Transfers out	(270,465)	(26,000)	(12,700)	(4,774)	(120,000)	(7,700)	(11,659)	(453,298)
<b>Total other financing sources (uses)</b>	<b>(270,465)</b>	<b>(26,000)</b>	<b>416,465</b>	<b>(4,774)</b>	<b>(120,000)</b>	<b>-</b>	<b>4,774</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(288,523)	(34,938)	380,749	(93,276)	(206,876)	(77,194)	(21,828)	(341,886)
Cash and investments - beginning	849,606	78,249	289,505	93,276	335,225	82,009	290,150	2,018,020
Cash and investments - ending	<u>\$ 561,083</u>	<u>\$ 43,311</u>	<u>\$ 670,254</u>	<u>\$ -</u>	<u>\$ 128,349</u>	<u>\$ 4,815</u>	<u>\$ 268,322</u>	<u>\$ 1,676,134</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and Investments	<u>\$ 561,083</u>	<u>\$ 43,311</u>	<u>\$ 670,254</u>	<u>\$ -</u>	<u>\$ 128,349</u>	<u>\$ 4,815</u>	<u>\$ 268,322</u>	<u>\$ 1,676,134</u>
<b>Cash and Investment Fund Balance - Ending</b>								
Unrestricted	<u>\$ 561,083</u>	<u>\$ 43,311</u>	<u>\$ 670,254</u>	<u>\$ -</u>	<u>\$ 128,349</u>	<u>\$ 4,815</u>	<u>\$ 268,322</u>	<u>\$ 1,676,134</u>
Total cash and investment fund balance - ending	<u>\$ 561,083</u>	<u>\$ 43,311</u>	<u>\$ 670,254</u>	<u>\$ -</u>	<u>\$ 128,349</u>	<u>\$ 4,815</u>	<u>\$ 268,322</u>	<u>\$ 1,676,134</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 15,000	\$ -
Other	25,298	1,500
Total contributions	40,298	1,500
Deductions:		
Administrative and general	39,451	1,000
Excess of total additions over total deductions	847	500
Cash and investment fund balance - beginning	(54)	904
Cash and investment fund balance - ending	\$ 793	\$ 1,404
Net assets:		
Cash and investments	\$ 793	\$ 1,404
Total net assets - cash and investment basis held in trust	\$ 793	\$ 1,404

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 1,050	\$ -
Other	<u>51,764</u>	<u>6,017</u>
Total contributions	<u>52,814</u>	<u>6,017</u>
Deductions:		
Administrative and general	<u>53,597</u>	<u>7,421</u>
Excess (deficiency) of total additions over total deductions	(783)	(1,404)
Cash and investment fund balance - beginning	<u>793</u>	<u>1,404</u>
Cash and investment fund balance - ending	<u>\$ 10</u>	<u>\$ -</u>
Net assets:		
Cash and investments	<u>\$ 10</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ 10</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Frontier School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with ten other school corporations in a joint venture to operate the Indian Trails Career Cooperative which was created to engage in the joint employment of personnel and joint purchases of supplies, equipment, and facilities to provide programs and services for vocational education. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Cooperative can be obtained from the local education agency (Twin Lakes School Corporation) at 565 South Main Street, Monticello, Indiana, 47960.

The School Corporation is a participant with forty-one other school corporations in a joint venture to operate the Wabash Valley Education Center (Center) which was created to operate and maintain an educational service for curriculum development, purchasing and financial management. The Center's continued existence depends on continued funding by the member school corporations. Complete financial statements for the Center can be obtained from their administrative office at 3081 Benton Street, West Lafayette, Indiana, 47906-1129.

The School Corporation is a participant with Benton Community School Corporation, Frontier School Corporation, Kankakee Valley School Corporation, North Newton School Corporation, Rensselaer Central School Corporation, South Newton School Corporation, West Central School Corporation in a joint venture to operate the Cooperative School Service for Special Education which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit annually the actual direct cost of providing instruction to their students plus their pro rata share of indirect costs necessary to operate this program. The Cooperative School Service for Special Education pays its surplus to the participants. The Cooperative School Service for Special Education continued existence depends on continued funding by the School Corporation. The School Corporations are obligated for the debts of the Cooperative School Service for Special Education. Complete financial statements for the Cooperative School Service for Special Education can be obtained from the local education agency (West Central School Corporation) at 117 East Montgomery Street, Box 578, Francesville, Indiana, 47946.

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The School Bus Replacement Fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust fund account for the activities of the Retirement/Severance Bond Fund, which accumulate resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit the students and staff of Frontier School Corporation.

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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.

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$1,676,134.

The school's bank balances were all insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2006-07	2007-08
General Fund	Rainy Day	\$ 65,000	\$ 270,465
Transportation Operating	Rainy Day	30,000	26,000
Capital Projects	Rainy Day	20,000	120,000
Debt Service	Other governmental funds	4,800	4,774
Other governmental funds	General Fund	2,134	-
Other governmental funds	Other governmental funds	-	11,659
School Bus Replacement Fund	School Bus Replacement Fund	-	7,700
Rainy Day Fund	Rainy Day	-	12,700
		<u>          </u>	<u>          </u>
Totals		<u>\$ 121,934</u>	<u>\$ 453,298</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

During 1985, the School Corporation joined together with other governmental entities to form the Midwest Area School Employees' Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for fourteen member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of group insurance plans for the benefit of members' employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$125,000 per individual and \$2,000,000 in aggregate insured event. The risk pool obtains independent coverage for insured events in excess of the \$125,000 and \$2,000,000 limits.

B. Holding Corporation

The School Corporation has entered into a capital lease with Frontier School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease payments during the year totaled \$974,500.

C. Subsequent Events

On December 9, 2008, the Frontier School Board has adopted a resolution approving form of a third amendment to the school building lease to pay for the costs of the renovation project to the Jr/Sr high school. The total construction cost of the renovation project is estimated to be \$3,500,000. School Building Corporation will issue bonds with a ten year repayment schedule.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

beneficiaries. All full-time employees are eligible to participate in the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 36,770
Interest on net pension obligation	(6,838)
Adjustment to annual required contribution	7,792
Annual pension cost	37,724
Contributions made	23,842
Increase (decrease) in net pension obligation	13,882
Net pension obligation, beginning of year	(94,314)
Net pension obligation, end of year	\$ (80,432)

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
School Corporation	5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 23,767	127%	\$ (90,773)
	06-30-06	21,352	117%	(94,314)
	06-30-07	37,724	63%	(80,432)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' 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

FRONTIER SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's 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.

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:

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

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, and 2008, were \$95,932, and \$92,610, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

FRONTIER SCHOOL CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 647,199	\$ 478,170	\$ 169,029	135%	\$ 621,650	27%
07-01-06	480,926	467,885	13,041	103%	569,957	2%
07-01-07	510,565	469,594	40,971	109%	547,809	7%

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

	Pre-School Special Ed	School Lunch	Textbook Rental	06-07 Special Ed Grant	Educational License Plates	Safe Haven Grant	2007 Gifted & Talented
<b>Receipts:</b>							
Local sources	\$ 7,243	\$ 205,273	\$ 70,126	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	1,211	-	-
State sources	33,696	5,439	6,806	-	-	-	11,649
Federal sources	-	86,062	-	14,000	-	-	-
<b>Total receipts</b>	<b>40,939</b>	<b>296,774</b>	<b>76,932</b>	<b>14,000</b>	<b>1,211</b>	<b>-</b>	<b>11,649</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	11,265	36	-	2,629
Support services	-	270,195	68,657	482	-	431	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	30,815	-	-	-	-	-	-
<b>Total disbursements</b>	<b>30,815</b>	<b>270,195</b>	<b>68,657</b>	<b>11,747</b>	<b>36</b>	<b>431</b>	<b>2,629</b>
Excess (deficiency) of receipts over disbursements	10,124	26,579	8,275	2,253	1,175	(431)	9,020
<b>Other financing sources (uses):</b>							
Transfers in	-	-	4,800	-	-	-	-
Transfers out	-	-	-	(2,134)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>4,800</b>	<b>(2,134)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,124	26,579	13,075	119	1,175	(431)	9,020
Cash and investments - beginning	9,393	89,815	54,832	-	816	431	-
Cash and investments - ending	\$ 19,517	\$ 116,394	\$ 67,907	\$ 119	\$ 1,991	\$ -	\$ 9,020
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 19,517	\$ 116,394	\$ 67,907	\$ 119	\$ 1,991	\$ -	\$ 9,020
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 19,517	\$ 116,394	\$ 67,907	\$ 119	\$ 1,991	\$ -	\$ 9,020

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	2006 Gifted & Talented	Partners For Drug Free	Medicaid Reimbursement	Non English Speaking Program	School Technology Fund	Academic Improvement Program	Health Education Grant
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Intermediate sources	-	-	-	-	-	-	-
State sources	-	3,100	-	39	4,551	11,708	-
Federal sources	-	-	69	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>3,100</b>	<b>69</b>	<b>39</b>	<b>4,551</b>	<b>11,708</b>	<b>2,000</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	5,857	2,448	-	-	-	2,902	1,000
Support services	-	-	-	5	1,829	6,140	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>5,857</b>	<b>2,448</b>	<b>-</b>	<b>5</b>	<b>1,829</b>	<b>9,042</b>	<b>1,000</b>
Excess (deficiency) of receipts over disbursements	(5,857)	652	69	34	2,722	2,666	1,000
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,857)	652	69	34	2,722	2,666	1,000
Cash and investments - beginning	5,857	1,522	38	66	22	5,760	500
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,174</u>	<u>\$ 107</u>	<u>\$ 100</u>	<u>\$ 2,744</u>	<u>\$ 8,426</u>	<u>\$ 1,500</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ -</u>	<u>\$ 2,174</u>	<u>\$ 107</u>	<u>\$ 100</u>	<u>\$ 2,744</u>	<u>\$ 8,426</u>	<u>\$ 1,500</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>\$ -</u>	<u>\$ 2,174</u>	<u>\$ 107</u>	<u>\$ 100</u>	<u>\$ 2,744</u>	<u>\$ 8,426</u>	<u>\$ 1,500</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	2005-06 Title 1	2006-07 Title 1	2004-06 Title V-A	2005-07 Title V-A	2006-08 Title V-A	Title IV-A 2005-06 Drug Free	Title IV-A 2005-07 Drug Free
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	82,769	-	-	1,251	-	-
Total receipts	-	82,769	-	-	1,251	-	-
Disbursements:							
Current:							
Instruction	15,501	65,711	-	-	-	313	86
Support services	522	274	500	489	825	-	2,709
Community services	61	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	16,084	65,985	500	489	825	313	2,795
Excess (deficiency) of receipts over disbursements	(16,084)	16,784	(500)	(489)	426	(313)	(2,795)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,084)	16,784	(500)	(489)	426	(313)	(2,795)
Cash and investments - beginning	20,721	-	500	812	-	313	2,795
Cash and investments - ending	\$ 4,637	\$ 16,784	\$ -	\$ 323	\$ 426	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 4,637	\$ 16,784	\$ -	\$ 323	\$ 426	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ 4,637	\$ 16,784	\$ -	\$ 323	\$ 426	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Title IV-A 2006-08 Drug Free	Vocational Grant	Indian Trails	Title II Improve Teaching Quality	Title II Part D	Title III Non English Speaking	Totals
<b>Receipts:</b>							
Local sources	\$ -	\$ 14,322	\$ -	\$ -	\$ -	\$ -	\$ 298,964
Intermediate sources	-	-	-	-	-	-	1,211
State sources	-	-	-	-	-	-	76,988
Federal sources	2,604	-	400	21,793	-	863	209,811
<b>Total receipts</b>	<b>2,604</b>	<b>14,322</b>	<b>400</b>	<b>21,793</b>	<b>-</b>	<b>863</b>	<b>586,974</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	9	12,667	-	20,581	-	1,582	142,587
Support services	187	-	400	6,968	1,432	-	362,045
Community services	-	-	-	-	-	-	61
Nonprogrammed charges	-	-	-	-	-	-	30,815
<b>Total disbursements</b>	<b>196</b>	<b>12,667</b>	<b>400</b>	<b>27,549</b>	<b>1,432</b>	<b>1,582</b>	<b>535,508</b>
Excess (deficiency) of receipts over disbursements	2,408	1,655	-	(5,756)	(1,432)	(719)	51,466
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	4,800
Transfers out	-	-	-	-	-	-	(2,134)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,666</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,408	1,655	-	(5,756)	(1,432)	(719)	54,132
Cash and investments - beginning	-	18,831	-	20,714	1,561	719	236,018
Cash and investments - ending	\$ 2,408	\$ 20,486	\$ -	\$ 14,958	\$ 129	\$ -	\$ 290,150
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 2,408	\$ 20,486	\$ -	\$ 14,958	\$ 129	\$ -	\$ 290,150
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 2,408	\$ 20,486	\$ -	\$ 14,958	\$ 129	\$ -	\$ 290,150

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008

	Pre-School Special Ed	School Lunch	Textbook Rental	Special Ed Grant	Educational License Plates	Safe Haven Grant	2007 Gifted & Talented
<b>Receipts:</b>							
Local sources	\$ 19,379	\$ 211,182	\$ 48,597	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	188	-	-
State sources	35,292	5,898	8,554	-	-	941	-
Federal sources	-	94,444	-	10,061	-	-	-
Bonds and loans	3,608	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	20	-	-	-	-	-
<b>Total receipts</b>	<b>58,279</b>	<b>311,544</b>	<b>57,151</b>	<b>10,061</b>	<b>188</b>	<b>941</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	9,858	-	941	9,020
Support services	-	307,709	83,158	322	-	-	-
Nonprogrammed charges	61,813	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>61,813</b>	<b>307,709</b>	<b>83,158</b>	<b>10,180</b>	<b>-</b>	<b>941</b>	<b>9,020</b>
Excess (deficiency) of receipts over disbursements	(3,534)	3,835	(26,007)	(119)	188	-	(9,020)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	4,774	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>4,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,534)	3,835	(21,233)	(119)	188	-	(9,020)
Cash and investments - beginning	19,517	116,394	67,907	119	1,991	-	9,020
Cash and investments - ending	\$ 15,983	\$ 120,229	\$ 46,674	\$ -	\$ 2,179	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 15,983	\$ 120,229	\$ 46,674	\$ -	\$ 2,179	\$ -	\$ -
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 15,983	\$ 120,229	\$ 46,674	\$ -	\$ 2,179	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	2008 Gifted & Talented	Partners For Drug Free	Medicaid Reimbursement	Non English Speaking Program	School Technology Fund	Academic Improvement Program	Health Education Grant
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,089
Intermediate sources	-	-	-	-	-	-	-
State sources	28,722	3,900	-	-	19,784	11,654	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>28,722</b>	<b>3,900</b>	<b>-</b>	<b>-</b>	<b>19,784</b>	<b>11,654</b>	<b>1,089</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	14,877	3,526	106	-	-	2,468	2,089
Support services	-	-	-	-	22,528	7,905	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>14,877</b>	<b>3,526</b>	<b>106</b>	<b>-</b>	<b>22,528</b>	<b>10,373</b>	<b>2,089</b>
Excess (deficiency) of receipts over disbursements	13,845	374	(106)	-	(2,744)	1,281	(1,000)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(275)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,845	374	(106)	-	(2,744)	1,006	(1,000)
Cash and investments - beginning	-	2,174	107	100	2,744	8,426	1,500
Cash and investments - ending	\$ 13,845	\$ 2,548	\$ 1	\$ 100	\$ -	\$ 9,432	\$ 500
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 13,845	\$ 2,548	\$ 1	\$ 100	\$ -	\$ 9,432	\$ 500
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 13,845	\$ 2,548	\$ 1	\$ 100	\$ -	\$ 9,432	\$ 500

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	2005-06 Title 1	2006-07 Title 1	2007-08 Title 1	2005-07 Title V-A	2006-08 Title V-A	2007-09 Title V-A	Title IV-A 2006-08 Drug Free
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	94,163	-	-	1,185	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>94,163</b>	<b>-</b>	<b>-</b>	<b>1,185</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	19,676	65,421	-	-	-	-
Support services	-	-	8,596	598	381	760	928
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	128	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>19,676</b>	<b>74,145</b>	<b>598</b>	<b>381</b>	<b>760</b>	<b>928</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>(19,676)</b>	<b>20,018</b>	<b>(598)</b>	<b>(381)</b>	<b>425</b>	<b>(928)</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	4,638	6,746	275	-	-	-
Transfers out	(4,638)	(1,746)	(5,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(4,638)</b>	<b>2,892</b>	<b>1,746</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(4,638)</b>	<b>(16,784)</b>	<b>21,764</b>	<b>(323)</b>	<b>(381)</b>	<b>425</b>	<b>(928)</b>
Cash and investments - beginning	4,637	16,784	-	323	426	-	2,408
Cash and investments - ending	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 21,764</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 425</u>	<u>\$ 1,480</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 21,764</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 425</u>	<u>\$ 1,480</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 21,764</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 425</u>	<u>\$ 1,480</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Title IV-A 2007-09 Drug Free	Vocational Grant	High School to Work Grant	Title II Improve Teaching Quality	Title II Part D	Title III Non English Speaking	Totals
<b>Receipts:</b>							
Local sources	\$ -	\$ 11,000	\$ -	\$ -	\$ -	\$ -	\$ 291,247
Intermediate sources	-	-	-	-	-	-	188
State sources	-	-	750	-	-	-	115,495
Federal sources	2,576	-	-	22,138	-	323	224,890
Bonds and loans	-	-	-	-	-	-	3,608
Sale of property, adjustments and refunds	-	-	-	-	-	-	20
<b>Total receipts</b>	<b>2,576</b>	<b>11,000</b>	<b>750</b>	<b>22,138</b>	<b>-</b>	<b>323</b>	<b>635,448</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	12,689	-	10,897	-	291	151,859
Support services	-	-	-	15,236	129	-	448,250
Nonprogrammed charges	-	-	-	-	-	-	61,813
Debt services	-	-	-	-	-	-	128
<b>Total disbursements</b>	<b>-</b>	<b>12,689</b>	<b>-</b>	<b>26,133</b>	<b>129</b>	<b>291</b>	<b>662,050</b>
Excess (deficiency) of receipts over disbursements	2,576	(1,689)	750	(3,995)	(129)	32	(26,602)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	16,433
Transfers out	-	-	-	-	-	-	(11,659)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,774</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,576	(1,689)	750	(3,995)	(129)	32	(21,828)
Cash and investments - beginning	-	20,486	-	14,958	129	-	290,150
<b>Cash and investments - ending</b>	<b>\$ 2,576</b>	<b>\$ 18,797</b>	<b>\$ 750</b>	<b>\$ 10,963</b>	<b>\$ -</b>	<b>\$ 32</b>	<b>\$ 268,322</b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 2,576	\$ 18,797	\$ 750	\$ 10,963	\$ -	\$ 32	\$ 268,322
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 2,576	\$ 18,797	\$ 750	\$ 10,963	\$ -	\$ 32	\$ 268,322

The notes to the financial statements are an integral part of this statement.

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2007

	Kiwanis	High School Outdoor Lab	White County REMC	Totals
Additions:				
Contributions:				
Other	\$ 700	\$ -	\$ 800	\$ 1,500
Deductions:				
Administrative and general	-	500	500	1,000
Excess (deficiency) of total additions over total deductions	700	(500)	300	500
Cash and investment fund balance - beginning	404	500	-	904
Cash and investments - June 30	<u>\$ 1,104</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 1,404</u>
Net assets:				
Cash and investments	<u>\$ 1,104</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 1,404</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,104</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 1,404</u>

FRONTIER SCHOOL CORPORATION  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2008

	Lehe Benefit	Donations	Kiwanis	Winston Jones Award	White County REMC	Totals
Additions:						
Contributions:						
Other	\$ 1,000	\$ 1,139	\$ 2,878	\$ 1,000	\$ -	\$ 6,017
Deductions:						
Administrative and general	1,000	1,139	3,982	1,000	300	7,421
Excess (deficiency) of total additions over total deductions	-	-	(1,104)	-	(300)	(1,404)
Cash and investment fund balance - beginning	-	-	1,104	-	300	1,404
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRONTIER SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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	\$ 9,158,343
Improvements other than buildings	533,382
Machinery and equipment	<u>2,208,310</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 11,900,035</u>

FRONTIER SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Building Lease	\$ 6,750,000	\$ 968,000
Energy Lease	535,475	202,422
Computer Lease	123,475	66,238
Bonds payable:		
General obligation bonds:		
Retirement Bonds	<u>190,000</u>	<u>37,640</u>
Total governmental activities debt	<u>\$ 7,598,950</u>	<u>\$ 1,274,300</u>

FRONTIER SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

COLLECTION OF AMOUNTS DUE - PICTURE PROFIT (Applies to Frontier Elementary School)

The profit from school pictures taken in the fall of 2006 has never been deposited into the elementary extra-curricular account. The picture company, Inter-State Studio & Publishing Co., verified that the check, written November 22, 2006, for \$1,901.60, has never cleared. Inter-State Studio & Publishing Co. has agreed to reissue the check to the elementary.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FRONTIER SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 12, 2009, with Erin Marconett, Treasurer; and Bernard T. Graser, Superintendent of Schools. The officials concurred with our audit finding.