

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, 2008 to June 30, 2010



FILED
01/11/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	21-30
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	31-32
Schedule of Capital Assets	33
Schedule of Long-Term Debt	34
Audit Results and Comments:	
Investments – Sale and Interest	35
Segregation of Duties - Internal Controls Over Financial Transactions and Reporting	35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	38-39
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42-43
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	44
Corrective Action Plan	45-46
Exit Conference	47

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Erin Marconett	07-01-08 to 06-30-11
Superintendent of Schools	Bernard T. Graser	07-01-08 to 06-30-11
President of the School Board	Andy Altman Barry Wesner	07-01-08 to 06-30-10 07-01-10 to 06-30-11



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 7, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 7, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2010-01 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2010-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the finding identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 7, 2010

FRONTIER SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<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	\$ 3,619,565	\$ -	\$ 106,641	\$ (3,512,924)
Support services	2,407,932	207,406	113,284	(2,087,242)
Noninstructional services	400,648	-	-	(400,648)
Facilities acquisition and construction	584,052	-	-	(584,052)
Debt service	3,205,165	-	-	(3,205,165)
Nonprogrammed charges	92,673	-	-	(92,673)
Total governmental activities	<u>\$ 10,310,035</u>	<u>\$ 207,406</u>	<u>\$ 219,925</u>	<u>(9,882,704)</u>
General receipts:				
Property taxes				3,750,315
Other local sources				628,324
State aid				3,312,622
Bonds and loans				1,361,021
Grants and contributions not restricted to specific programs				579,331
Sale of property				78,340
Investment earnings				16,868
Other				24,749
Total general receipts				<u>9,751,570</u>
Change in net assets				(131,134)
Net assets - beginning				<u>1,676,146</u>
Net assets - ending				<u>\$ 1,545,012</u>
<u>Assets</u>				
Cash and investments				\$ 1,245,996
Restricted assets:				
Cash and investments				<u>299,016</u>
Total assets				<u>\$ 1,545,012</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 299,016
Unrestricted				<u>1,245,996</u>
Total net assets				<u>\$ 1,545,012</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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<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	\$ 3,511,373	\$ -	\$ 96,873	\$ (3,414,500)
Support services	2,403,446	214,183	154,679	(2,034,584)
Noninstructional services	518,577	-	-	(518,577)
Facilities acquisition and construction	479,618	-	-	(479,618)
Debt service	2,537,825	-	-	(2,537,825)
Nonprogrammed charges	109,839	-	-	(109,839)
Total governmental activities	<u>\$ 9,560,678</u>	<u>\$ 214,183</u>	<u>\$ 251,552</u>	<u>(9,094,943)</u>
General receipts:				
Property taxes				1,921,427
Other local sources				424,291
State aid				4,600,332
Bonds and loans				948,639
Grants and contributions not restricted to specific programs				610,777
Sale of property				43,345
Investment earnings				15,520
Other				2,259
Total general receipts				<u>8,566,590</u>
Change in net assets				(528,353)
Net assets - beginning				<u>1,545,012</u>
Net assets - ending				<u>\$ 1,016,659</u>
<u>Assets</u>				
Cash and investments				\$ 877,411
Restricted assets:				
Cash and investments				<u>139,248</u>
Total assets				<u>\$ 1,016,659</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 139,248
Unrestricted				<u>877,411</u>
Total net assets				<u>\$ 1,016,659</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, 2009

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,070,267	\$ 59,724	\$ -	\$ 1,100,897	\$ 766,571	\$ 604,619	\$ 4,602,078
Intermediate sources	386	-	-	-	-	450	836
State sources	3,378,958	-	-	-	-	96,954	3,475,912
Federal sources	-	-	404,793	-	-	231,173	635,966
Temporary loans	281,527	-	-	309,066	537,820	232,608	1,361,021
Other	2,742	-	-	-	5,402	16,605	24,749
Total receipts	5,733,880	59,724	404,793	1,409,963	1,309,793	1,182,409	10,100,562
Disbursements:							
Current:							
Instruction	3,474,221	-	-	-	-	145,344	3,619,565
Support services	1,435,887	135,701	-	-	372,653	463,691	2,407,932
Noninstructional services	122,517	-	-	-	-	278,131	400,648
Facilities acquisition and construction	-	126,051	-	-	457,138	863	584,052
Debt services	1,186,297	-	-	1,170,336	541,184	307,348	3,205,165
Nonprogrammed charges	60,268	-	-	-	-	32,405	92,673
Total disbursements	6,279,190	261,752	-	1,170,336	1,370,975	1,227,782	10,310,035
Excess (deficiency) of receipts over disbursements	(545,310)	(202,028)	404,793	239,627	(61,182)	(45,373)	(209,473)
Other financing sources (uses):							
Sale of capital assets	69,409	-	-	-	420	8,511	78,340
Transfers in	234,916	321,050	-	49,395	33,883	79,017	718,261
Transfers out	(320,000)	(385,689)	-	-	-	(12,572)	(718,261)
Total other financing sources (uses)	(15,675)	(64,639)	-	49,395	34,303	74,956	78,340
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(560,985)	(266,667)	404,793	289,022	(26,879)	29,583	(131,133)
Cash and investments - beginning	561,083	685,254	-	-	128,350	301,458	1,676,145
Cash and investments - ending	\$ 98	\$ 418,587	\$ 404,793	\$ 289,022	\$ 101,471	\$ 331,041	\$ 1,545,012
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 98	\$ 418,587	\$ 404,793	\$ -	\$ 101,471	\$ 321,047	\$ 1,245,996
Restricted assets:							
Cash and investments	-	-	-	289,022	-	9,994	299,016
Total cash and investment assets - ending	\$ 98	\$ 418,587	\$ 404,793	\$ 289,022	\$ 101,471	\$ 331,041	\$ 1,545,012
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 289,022	\$ -	\$ 9,994	\$ 299,016
Unrestricted	98	418,587	404,793	-	101,471	321,047	1,245,996
Total cash and investment fund balance - ending	\$ 98	\$ 418,587	\$ 404,793	\$ 289,022	\$ 101,471	\$ 331,041	\$ 1,545,012

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, 2010

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 50,975	\$ -	\$ -	\$ 1,121,072	\$ 758,724	\$ 644,169	\$ 2,574,940
Intermediate sources	386	-	-	-	-	94	480
State sources	4,666,129	-	-	-	-	184,419	4,850,548
Federal sources	-	-	165,850	-	-	446,264	612,114
Temporary loans	87,164	-	-	181,040	526,774	153,661	948,639
Other	2,213	-	-	-	-	46	2,259
Total receipts	4,806,867	-	165,850	1,302,112	1,285,498	1,428,653	8,988,980
Disbursements:							
Current:							
Instruction	2,629,840	6,815	570,643	-	-	304,075	3,511,373
Support services	1,445,664	78,536	-	-	358,569	520,677	2,403,446
Noninstructional services	115,350	-	-	-	-	403,227	518,577
Facilities acquisition and construction	-	134,882	-	-	328,943	15,793	479,618
Debt services	281,527	-	-	1,449,316	537,820	269,162	2,537,825
Nonprogrammed charges	97,012	-	-	-	-	12,827	109,839
Total disbursements	4,569,393	220,233	570,643	1,449,316	1,225,332	1,525,761	9,560,678
Excess (deficiency) of receipts over disbursements	237,474	(220,233)	(404,793)	(147,204)	60,166	(97,108)	(571,698)
Other financing sources (uses):							
Sale of capital assets	29,251	-	-	-	-	14,094	43,345
Transfers in	693	254,500	-	-	-	50,047	305,240
Transfers out	(200,200)	(29,917)	-	(2,867)	-	(72,256)	(305,240)
Total other financing sources (uses)	(170,256)	224,583	-	(2,867)	-	(8,115)	43,345
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	67,218	4,350	(404,793)	(150,071)	60,166	(105,223)	(528,353)
Cash and investments - beginning	98	418,587	404,793	289,022	101,471	331,041	1,545,012
Cash and investments - ending	\$ 67,316	\$ 422,937	\$ -	\$ 138,951	\$ 161,637	\$ 225,818	\$ 1,016,659
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 67,316	\$ 422,937	\$ -	\$ -	\$ 161,637	\$ 225,521	\$ 877,411
Restricted assets:							
Cash and investments	-	-	-	138,951	-	297	139,248
Total cash and investment assets - ending	\$ 67,316	\$ 422,937	\$ -	\$ 138,951	\$ 161,637	\$ 225,818	\$ 1,016,659
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 138,951	\$ -	\$ 297	\$ 139,248
Unrestricted	67,316	422,937	-	-	161,637	225,521	877,411
Total cash and investment fund balance - ending	\$ 67,316	\$ 422,937	\$ -	\$ 138,951	\$ 161,637	\$ 225,818	\$ 1,016,659

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, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 57,275	
Total contributions	57,275	
Total additions	57,275	
Deductions:		
Administrative and general	56,106	
Total deductions	56,106	
Excess of total additions over total deductions	1,169	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ 1,169	\$ 7,406
Net assets:		
Cash and investments	\$ 1,169	\$ 7,406
Total net assets - cash and investment basis held in trust	\$ 1,169	\$ 7,406

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, 2010

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Other	\$ 1,226,094	
Total contributions	<u>1,226,094</u>	
Total additions	<u>1,226,094</u>	
Deductions:		
Administrative and general	<u>77,960</u>	
Total deductions	<u>77,960</u>	
Excess (deficiency) of total additions over total deductions	1,148,134	
Cash and investment fund balance - beginning	<u>1,169</u>	
Cash and investment fund balance - ending	<u>\$ 1,149,303</u>	<u>\$ 15,484</u>
Net assets:		
Cash and investments	<u>\$ 1,149,303</u>	<u>\$ 15,484</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,149,303</u>	<u>\$ 15,484</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 in a joint venture to operate Indian Trails Career Cooperative which was created for vocational education. The Indian Trails Career Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Indian Trails Career Cooperative can be obtained from 565 South Main Street, Monticello IN 46960.

The School Corporation is a participant in a joint venture to operate Wabash Valley Education Center which was created to purchase supplies. The Wabash Valley Education Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Wabash Valley Education Center can be obtained from 3081 Benton Street, West Lafayette IN 47906-1129.

The School Corporation is a participant in a joint venture to operate Cooperative School Service for Special Education which was created to operate a comprehensive program of special education for children with special health care needs. The Cooperative School Service for Special Education's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Cooperative School Service for Special Education can be obtained from 117 East Montgomery Street, Box 578, Francesville IN 47946.

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. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Capital Projects Fund accounts for planned construction, repair, replacement, or remodeling of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

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 Rainy Day Fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The Fiscal Stabilization Fund is used to account for federal funding through the American Recovery & Reinvestment Act of 2009, which is used to support and restore funding for elementary and secondary education.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the annual disbursement of scholarship funds to eligible students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively.

4. 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.

5. Long-Term Debt

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

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. 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."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund 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 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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

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. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the 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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 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, 2010, the School Corporation had deposit balances in the amount of \$2,241,815.

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

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Rainy Day Fund	\$ 320,000	\$ 200,200
Rainy Day Fund	General Fund	234,526	-
Rainy Day Fund	Debt Service Fund	49,395	-
Rainy Day Fund	Capital Projects Fund	33,883	-
Rainy Day Fund	Other Governmental Funds	67,885	29,917
Debt Service Fund	Other Governmental Funds	-	2,867
Other Governmental Funds	General Fund	390	693
Other Governmental Funds	Rainy Day Fund	1,050	54,300
Other Governmental Funds	Other Governmental Funds	11,132	17,263
Totals		<u>\$ 718,261</u>	<u>\$ 305,240</u>

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

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; 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; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1985, the School Corporation joined 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 17 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 School Corporation pays an annual premium to the risk pool for its funding and administration of group insurance plans for the benefit of members' employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$2,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$125,000 limit.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$969,000, and \$1,109,000 respectively.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit 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 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$105,757.

FRONTIER SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 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

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's contributions to the plan during the period were \$371,047.

D. Wind Farm Fund

The School Corporation has received \$1,195,000 during the fiscal year 2009-2010 from White County's Economic Development Fund – Wind Farm Revenues. The funding is a gift from the County, and although future revenues are expected by the School Corporation, the County is not obligated to distribute additional payments. The County has not restricted the use of the funding by the School Corporation.

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, 2009

	Transportation Operating	Special Education/ Preschool	School Lunch	Textbook Rental	IDEA Grant Fund	Education License Plates
Receipts:						
Local sources	\$ 199,108	\$ 4,999	\$ 207,907	\$ 48,878	\$ -	\$ -
Intermediate sources	-	-	-	-	-	450
State sources	-	29,716	5,703	9,978	-	-
Federal sources	-	-	97,603	-	4,361	-
Temporary loans	138,838	-	-	-	-	-
Other	16,605	-	-	-	-	-
Total receipts	<u>354,551</u>	<u>34,715</u>	<u>311,213</u>	<u>58,856</u>	<u>4,361</u>	<u>450</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	4,361	-
Support services	194,713	-	156	65,904	-	2,433
Noninstructional services	-	-	277,715	-	-	-
Facilities acquisition and construction	-	-	863	-	-	-
Debt services	184,600	3,608	-	-	-	-
Nonprogrammed charges	-	32,405	-	-	-	-
Total disbursements	<u>379,313</u>	<u>36,013</u>	<u>278,734</u>	<u>65,904</u>	<u>4,361</u>	<u>2,433</u>
Excess (deficiency) of receipts over disbursements	<u>(24,762)</u>	<u>(1,298)</u>	<u>32,479</u>	<u>(7,048)</u>	<u>-</u>	<u>(1,983)</u>
Other financing sources (uses):						
Sale of capital assets	8,511	-	-	-	-	-
Transfers in	8,936	320	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>17,447</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(7,315)</u>	<u>(978)</u>	<u>32,479</u>	<u>(7,048)</u>	<u>-</u>	<u>(1,983)</u>
Cash and investments - beginning	<u>43,312</u>	<u>982</u>	<u>120,229</u>	<u>46,672</u>	<u>-</u>	<u>2,180</u>
Cash and investments - ending	<u>\$ 35,997</u>	<u>\$ 4</u>	<u>\$ 152,708</u>	<u>\$ 39,624</u>	<u>\$ -</u>	<u>\$ 197</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 35,997	\$ 4	\$ 152,708	\$ 39,624	\$ -	\$ 197
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 35,997</u>	<u>\$ 4</u>	<u>\$ 152,708</u>	<u>\$ 39,624</u>	<u>\$ -</u>	<u>\$ 197</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	35,997	4	152,708	39,624	-	197
Total cash and investment fund balance - ending	<u>\$ 35,997</u>	<u>\$ 4</u>	<u>\$ 152,708</u>	<u>\$ 39,624</u>	<u>\$ -</u>	<u>\$ 197</u>

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, 2009
 (Continued)

	Gifted and Talented FY 2009	Gifted and Talented FY 2008	Drug Free At Risk	Indiana Tobacco Prevention	Non-English Speaking Program	Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	28,722	-	-	500	-	10,752
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	28,722	-	-	500	-	10,752
Disbursements:						
Current:						
Instruction	22,479	13,845	1,561	500	-	-
Support services	-	-	-	-	99	3,323
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	22,479	13,845	1,561	500	99	3,323
Excess (deficiency) of receipts over disbursements	6,243	(13,845)	(1,561)	-	(99)	7,429
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,243	(13,845)	(1,561)	-	(99)	7,429
Cash and investments - beginning	-	13,845	2,548	-	99	-
Cash and investments - ending	\$ 6,243	\$ -	\$ 987	\$ -	\$ -	\$ 7,429
Cash and Investment Assets - Ending						
Cash and investments	\$ 6,243	\$ -	\$ 987	\$ -	\$ -	\$ 7,429
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 6,243	\$ -	\$ 987	\$ -	\$ -	\$ 7,429
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	6,243	-	987	-	-	7,429
Total cash and investment fund balance - ending	\$ 6,243	\$ -	\$ 987	\$ -	\$ -	\$ 7,429

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, 2009
 (Continued)

	Professional Development Grants	White Co Health Education	Career Technology Grant	Title I FY 2008	Title I FY 2009	Title V, Part A FY 2008
Receipts:						
Local sources	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	11,583	-	-	-	-	-
Federal sources	-	-	-	-	103,547	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	11,583	2,000	-	-	103,547	-
Disbursements:						
Current:						
Instruction	3,593	920	-	14,664	69,893	-
Support services	2,342	-	7,875	358	2,363	45
Noninstructional services	-	-	-	-	416	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	49	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	5,935	920	7,875	15,071	72,672	45
Excess (deficiency) of receipts over disbursements	5,648	1,080	(7,875)	(15,071)	30,875	(45)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	8,266	-	6,693	-
Transfers out	-	-	(390)	(6,693)	-	-
Total other financing sources (uses)	-	-	7,876	(6,693)	6,693	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,648	1,080	1	(21,764)	37,568	(45)
Cash and investments - beginning	9,433	500	-	21,764	-	45
Cash and investments - ending	\$ 15,081	\$ 1,580	\$ 1	\$ -	\$ 37,568	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 15,081	\$ 1,580	\$ 1	\$ -	\$ 37,568	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 15,081	\$ 1,580	\$ 1	\$ -	\$ 37,568	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	15,081	1,580	1	-	37,568	-
Total cash and investment fund balance - ending	\$ 15,081	\$ 1,580	\$ 1	\$ -	\$ 37,568	\$ -

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, 2009
 (Continued)

	Title V, Part A FY 2009	Drug Free Schools Title IV, Part A FY 06-08	Drug Free Schools Title IV, Part A 12/09	Drug Free Schools Title IV, Part A FY 08-09	FY 2008 Vocational Grant	FY 2009 Vocational Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	462	-	-	2,045	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	462	-	-	2,045	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	13,520	-
Support services	425	1,480	2,370	-	-	474
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	425	1,480	2,370	-	13,520	474
Excess (deficiency) of receipts over disbursements	37	(1,480)	(2,370)	2,045	(13,520)	(474)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	37	(1,480)	(2,370)	2,045	(13,520)	(474)
Cash and investments - beginning	425	1,480	2,576	-	18,797	750
Cash and investments - ending	\$ 462	\$ -	\$ 206	\$ 2,045	\$ 5,277	\$ 276
Cash and Investment Assets - Ending						
Cash and investments	\$ 462	\$ -	\$ 206	\$ 2,045	\$ 5,277	\$ 276
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 462	\$ -	\$ 206	\$ 2,045	\$ 5,277	\$ 276
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	462	-	206	2,045	5,277	276
Total cash and investment fund balance - ending	\$ 462	\$ -	\$ 206	\$ 2,045	\$ 5,277	\$ 276

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, 2009
 (Continued)

	Improving Teacher Quality, Title II, Part A	Title III Non English Proficiency Migrant	Retirement/ Severance Bond Debt Service	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 42,635	\$ 99,092	\$ 604,619
Intermediate sources	-	-	-	-	450
State sources	-	-	-	-	96,954
Federal sources	23,155	-	-	-	231,173
Temporary loans	-	-	24,248	69,522	232,608
Other	-	-	-	-	16,605
Total receipts	23,155	-	66,883	168,614	1,182,409
Disbursements:					
Current:					
Instruction	-	8	-	-	145,344
Support services	18,806	-	-	160,525	463,691
Noninstructional services	-	-	-	-	278,131
Facilities acquisition and construction	-	-	-	-	863
Debt services	-	-	55,849	63,242	307,348
Nonprogrammed charges	-	-	-	-	32,405
Total disbursements	18,806	8	55,849	223,767	1,227,782
Excess (deficiency) of receipts over disbursements	4,349	(8)	11,034	(55,153)	(45,373)
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	8,511
Transfers in	-	-	4,439	50,363	79,017
Transfers out	-	-	(5,489)	-	(12,572)
Total other financing sources (uses)	-	-	(1,050)	50,363	74,956
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,349	(8)	9,984	(4,790)	29,583
Cash and investments - beginning	10,964	32	10	4,815	301,458
Cash and investments - ending	<u>\$ 15,313</u>	<u>\$ 24</u>	<u>\$ 9,994</u>	<u>\$ 25</u>	<u>\$ 331,041</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 15,313	\$ 24	\$ -	\$ 25	\$ 321,047
Restricted assets:					
Cash and investments	-	-	9,994	-	9,994
Total cash and investment assets - ending	<u>\$ 15,313</u>	<u>\$ 24</u>	<u>\$ 9,994</u>	<u>\$ 25</u>	<u>\$ 331,041</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 9,994	\$ -	\$ 9,994
Unrestricted	15,313	24	-	25	321,047
Total cash and investment fund balance - ending	<u>\$ 15,313</u>	<u>\$ 24</u>	<u>\$ 9,994</u>	<u>\$ 25</u>	<u>\$ 331,041</u>

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, 2010

	Transportation Operating	Special Education/ Preschool	School Lunch	Textbook Rental	Levy Excess	IDEA Grant Fund	Education License Plates
Receipts:							
Local sources	\$ 203,810	\$ -	\$ 208,626	\$ 48,293	\$ 12,632	\$ -	\$ 75
Intermediate sources	-	-	-	-	-	-	94
State sources	-	13,750	5,607	13,133	-	-	-
Federal sources	-	-	133,798	-	-	5,412	-
Temporary loans	80,841	-	-	-	-	-	-
Other	46	-	-	-	-	-	-
Total receipts	284,697	13,750	348,031	61,426	12,632	5,412	169
Disbursements:							
Current:							
Instruction	-	-	-	-	-	5,412	-
Support services	191,611	-	367	69,486	-	-	-
Noninstructional services	-	-	402,660	-	-	-	-
Facilities acquisition and construction	-	-	15,793	-	-	-	-
Debt services	138,838	-	-	-	-	-	-
Nonprogrammed charges	-	12,827	-	-	-	-	-
Total disbursements	330,449	12,827	418,820	69,486	-	5,412	-
Excess (deficiency) of receipts over disbursements	(45,752)	923	(70,789)	(8,060)	12,632	-	169
Other financing sources (uses):							
Sale of capital assets	14,094	-	-	-	-	-	-
Transfers in	-	-	-	2,867	-	-	-
Transfers out	(160)	(927)	-	-	-	-	-
Total other financing sources (uses)	13,934	(927)	-	2,867	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(31,818)	(4)	(70,789)	(5,193)	12,632	-	169
Cash and investments - beginning	35,997	4	152,708	39,625	-	-	197
Cash and investments - ending	\$ 4,179	\$ -	\$ 81,919	\$ 34,432	\$ 12,632	\$ -	\$ 366
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 4,179	\$ -	\$ 81,919	\$ 34,432	\$ 12,632	\$ -	\$ 366
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 4,179	\$ -	\$ 81,919	\$ 34,432	\$ 12,632	\$ -	\$ 366
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,179	-	81,919	34,432	12,632	-	366
Total cash and investment fund balance - ending	\$ 4,179	\$ -	\$ 81,919	\$ 34,432	\$ 12,632	\$ -	\$ 366

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, 2010
 (Continued)

	Gifted and Talented FY 2009	Gifted and Talented FY 2010	Ed Tech/ Computer Consortium	Drug Free At Risk	Early Childhood Intervention/ First Steps	Medicaid Reimbursement	Technology
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	28,577	76,800	2,250	2,000	-	3,409
Federal sources	-	-	-	-	-	2,141	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	28,577	76,800	2,250	2,000	2,141	3,409
Disbursements:							
Current:							
Instruction	6,243	22,441	-	1,760	665	1,722	-
Support services	-	-	76,800	-	-	-	10,616
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	6,243	22,441	76,800	1,760	665	1,722	10,616
Excess (deficiency) of receipts over disbursements	(6,243)	6,136	-	490	1,335	419	(7,207)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	160	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	160	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,243)	6,296	-	490	1,335	419	(7,207)
Cash and investments - beginning	6,243	-	-	987	-	-	7,429
Cash and investments - ending	\$ -	\$ 6,296	\$ -	\$ 1,477	\$ 1,335	\$ 419	\$ 222
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 6,296	\$ -	\$ 1,477	\$ 1,335	\$ 419	\$ 222
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 6,296	\$ -	\$ 1,477	\$ 1,335	\$ 419	\$ 222
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	6,296	-	1,477	1,335	419	222
Total cash and investment fund balance - ending	\$ -	\$ 6,296	\$ -	\$ 1,477	\$ 1,335	\$ 419	\$ 222

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, 2010
 (Continued)

	Professional Development Grants	White Co Health Education	Career Technology Grant	Tech Prep Mini Grant	2009 Excess PTRC	Title I FY 2010	Title I FY 2009
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 13,636	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	2,500	-	9,998	26,395	-	-	-
Federal sources	-	-	-	-	-	103,257	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	2,500	-	9,998	26,395	13,636	103,257	-
Disbursements:							
Current:							
Instruction	1,518	1,055	-	-	-	90,203	20,189
Support services	8,732	-	1,733	26,394	-	2,497	74
Noninstructional services	-	-	-	-	-	365	202
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	10,250	1,055	1,733	26,394	-	93,065	20,465
Excess (deficiency) of receipts over disbursements	(7,750)	(1,055)	8,265	1	13,636	10,192	(20,465)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	17,103	-
Transfers out	-	-	(8,266)	-	-	-	(17,103)
Total other financing sources (uses)	-	-	(8,266)	-	-	17,103	(17,103)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,750)	(1,055)	(1)	1	13,636	27,295	(37,568)
Cash and investments - beginning	15,080	1,580	1	-	-	-	37,568
Cash and investments - ending	\$ 7,330	\$ 525	\$ -	\$ 1	\$ 13,636	\$ 27,295	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 7,330	\$ 525	\$ -	\$ 1	\$ 13,636	\$ 27,295	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 7,330	\$ 525	\$ -	\$ 1	\$ 13,636	\$ 27,295	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,330	525	-	1	13,636	27,295	-
Total cash and investment fund balance - ending	\$ 7,330	\$ 525	\$ -	\$ 1	\$ 13,636	\$ 27,295	\$ -

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, 2010
 (Continued)

	Title V, Part A FY 2009	Drug Free Title IV, Part A FY 09-10	Drug Free Title IV, Part A 12/09	Drug Free Title IV, Part A FY 08-09	FY 2008 Vocational Grant	FY 2009 Vocational Grant	Improving Teacher Quality, Title II, Part A
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	1,690	-	-	-	-	23,375
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	1,690	-	-	-	-	23,375
Disbursements:							
Current:							
Instruction	-	-	-	-	5,277	-	-
Support services	462	1,302	206	2,045	-	276	31,906
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	462	1,302	206	2,045	5,277	276	31,906
Excess (deficiency) of receipts over disbursements	(462)	388	(206)	(2,045)	(5,277)	(276)	(8,531)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(462)	388	(206)	(2,045)	(5,277)	(276)	(8,531)
Cash and investments - beginning	462	-	206	2,045	5,277	276	15,313
Cash and investments - ending	\$ -	\$ 388	\$ -	\$ -	\$ -	\$ -	\$ 6,782
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 388	\$ -	\$ -	\$ -	\$ -	\$ 6,782
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 388	\$ -	\$ -	\$ -	\$ -	\$ 6,782
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	388	-	-	-	-	6,782
Total cash and investment fund balance - ending	\$ -	\$ 388	\$ -	\$ -	\$ -	\$ -	\$ 6,782

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, 2010
 (Continued)

	Title III Non English Proficiency Migrant	ARRA Title I, Grants to LEA's	IDEA, Part B	Retirement/ Severance Bond Debt Service	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 51,105	\$ 105,992	\$ 644,169
Intermediate sources	-	-	-	-	-	94
State sources	-	-	-	-	-	184,419
Federal sources	-	38,750	137,841	-	-	446,264
Temporary loans	-	-	-	-	72,820	153,661
Other	-	-	-	-	-	46
Total receipts	-	38,750	137,841	51,105	178,812	1,428,653
Disbursements:						
Current:						
Instruction	24	31,925	115,641	-	-	304,075
Support services	-	2,738	-	-	93,432	520,677
Noninstructional services	-	-	-	-	-	403,227
Facilities acquisition and construction	-	-	-	-	-	15,793
Debt services	-	-	-	60,802	69,522	269,162
Nonprogrammed charges	-	-	-	-	-	12,827
Total disbursements	24	34,663	115,641	60,802	162,954	1,525,761
Excess (deficiency) of receipts over disbursements	(24)	4,087	22,200	(9,697)	15,858	(97,108)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	14,094
Transfers in	-	-	-	-	29,917	50,047
Transfers out	-	-	-	-	(45,800)	(72,256)
Total other financing sources (uses)	-	-	-	-	(15,883)	(8,115)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(24)	4,087	22,200	(9,697)	(25)	(105,223)
Cash and investments - beginning	24	-	-	9,994	25	331,041
Cash and investments - ending	\$ -	\$ 4,087	\$ 22,200	\$ 297	\$ -	\$ 225,818
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 4,087	\$ 22,200	\$ -	\$ -	\$ 225,521
Restricted assets:						
Cash and investments	-	-	-	297	-	297
Total cash and investment assets - ending	\$ -	\$ 4,087	\$ 22,200	\$ 297	\$ -	\$ 225,818
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 297	\$ -	\$ 297
Unrestricted	-	4,087	22,200	-	-	225,521
Total cash and investment fund balance - ending	\$ -	\$ 4,087	\$ 22,200	\$ 297	\$ -	\$ 225,818

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, 2009

	Donations, Gifts, and Trusts	Donations Wal-Mart	Scholarships & Awards	White Co Elementary Soil & Water	Project Lead the Way	Totals
Additions:						
Contributions:						
Other	\$ 23,280	\$ 1,000	\$ 2,000	\$ 1,000	\$ 29,995	\$ 57,275
Total additions	<u>23,280</u>	<u>1,000</u>	<u>2,000</u>	<u>1,000</u>	<u>29,995</u>	<u>57,275</u>
Deductions:						
Administrative and general	<u>23,280</u>	-	<u>2,000</u>	<u>831</u>	<u>29,995</u>	<u>56,106</u>
Excess (deficiency) of total additions over total deductions	-	1,000	-	169	-	1,169
Cash and investment fund balance - beginning	-	-	-	-	-	-
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 1,169</u>
Net assets:						
Cash and investments	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 1,169</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 1,169</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, 2010

	Donations, Gifts, and Trusts	Donations Wal-Mart	Carmen Parks Donation	Wind Farm	Scholarships & Awards	White Co Elementary Soil & Water	Totals
Additions:							
Contributions:							
Other	\$ 393	\$ -	\$ 22,510	\$ 1,201,691	\$ 1,000	\$ 500	\$ 1,226,094
Total additions	<u>393</u>	<u>-</u>	<u>22,510</u>	<u>1,201,691</u>	<u>1,000</u>	<u>500</u>	<u>1,226,094</u>
Deductions:							
Administrative and general	<u>-</u>	<u>414</u>	<u>-</u>	<u>75,878</u>	<u>1,000</u>	<u>668</u>	<u>77,960</u>
Excess (deficiency) of total additions over total deductions	393	(414)	22,510	1,125,813	-	(168)	1,148,134
Cash and investment fund balance - beginning	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169</u>	<u>1,169</u>
Cash and investments - June 30	<u>\$ 393</u>	<u>\$ 586</u>	<u>\$ 22,510</u>	<u>\$ 1,125,813</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,149,303</u>
Net assets							
Cash and investments	<u>\$ 393</u>	<u>\$ 586</u>	<u>\$ 22,510</u>	<u>\$ 1,125,813</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,149,303</u>
Total net assets - cash and investment basis held in trust	<u>\$ 393</u>	<u>\$ 586</u>	<u>\$ 22,510</u>	<u>\$ 1,125,813</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,149,303</u>

FRONTIER SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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	\$ 9,158,343.00
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, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Building Lease	\$ 8,805,000	\$ 1,235,851
Energy Lease	97,585	101,212
Bonds payable:		
General obligation bonds:		
Retirement Bonds	<u>130,000</u>	<u>35,330</u>
Total governmental activities debt	<u>\$ 9,032,585</u>	<u>\$ 1,372,393</u>

FRONTIER SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INVESTMENTS – SALE AND INTEREST – (Applies to Frontier Elementary School)

Investment activity is not being posted correctly. Interest earned on investments is automatically added to the principal and not recorded in the records for up to a year. At June 30, 2010, \$155.65 in interest had not been properly posted to the Investment Fund. Also, \$1,800 in investment sales, along with \$167.76 in interest was posted directly to the Fundraiser Fund, with no entries in the Investment Fund.

A certificate of deposit may or other investments be renewed for an additional term if authorized, without the original certificate of deposit being paid by the depository and a warrant being issued for the purchase of a new certificate of deposit if all applicable statutory provisions have been complied with by the political subdivision or other investments if all applicable statutory provisions have been complied with by the political subdivision. However, if renewed, the interest due the political subdivision shall be paid to the fiscal officer at each maturity date, or the records should show transactions which will reflect the true financial condition and the amount invested at all times. The interest shall not be added to the original deposit and reinvested by the depository without being recorded in the records. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 5)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SEGREGATION OF DUTIES - INTERNAL CONTROLS
OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements or irregularities to undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Frontier School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-02, and 2010-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 7, 2010

FRONTIER SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 11,607	\$ 16,329
National School Lunch Program	10.555		<u>106,890</u>	<u>138,244</u>
Total for cluster			<u>118,497</u>	<u>154,573</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		08 - 8525	15,070	-
		09 - 8525	72,673	20,464
		10 - 8525	<u>-</u>	<u>93,065</u>
Total for program			<u>87,743</u>	<u>113,529</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10 - 8525	<u>-</u>	<u>34,663</u>
Total for Title I, Part A Cluster			<u>87,743</u>	<u>148,192</u>
Career and Technical Education - Basic Grants to States	84.048			
07/08 Vocational and Technical Board Grants		08 - 8525	13,520	5,277
08/09 Vocational and Technical Board Grants		09 - 8525	<u>474</u>	<u>276</u>
Total for program			<u>13,994</u>	<u>5,553</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
Title IV 06/07 Drug-Free		07 - 8525	1,480	-
Title IV 07/08 Drug-Free		08 - 8525	2,370	206
Title IV 08/09 Drug-Free		09 - 8525	-	2,045
Title IV 09/10 Drug-Free		10 - 8525	<u>-</u>	<u>1,302</u>
Total for program			<u>3,850</u>	<u>3,553</u>
State Grants for Innovative Programs	84.298			
Title V ESEA, P.L. 107-110 SY06/07 Innovative Education Program Strategies		07 - 8525	45	-
Title V ESEA, P.L. 107-110 SY07/08 Innovative Education Program Strategies		08 - 8525	<u>425</u>	<u>462</u>
Total for program			<u>470</u>	<u>462</u>
Improving Teacher Quality State Grants	84.367			
Title II, Part A SY08/09		09 - 8525	4,182	-
Title II, Part A SY08/10		10 - 8525	14,624	8,531
Title II, Part A SY09/10		10 - 8525	<u>-</u>	<u>23,375</u>
Total for program			<u>18,806</u>	<u>31,906</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	10 - 8525	<u>-</u>	<u>570,643</u>
Total for federal grantor agency			<u>124,863</u>	<u>760,309</u>
Pass-Through West Central School Corporation				
Special Education Cluster				
ARRA - Special Education - Grants to States Recovery Act	84.391	FY 09/10	<u>-</u>	<u>115,641</u>
Total federal awards expended			<u>\$ 243,360</u>	<u>\$ 1,030,523</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FRONTIER SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Frontier School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ 20,894	\$ 20,775

FRONTIER SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
	State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-01, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements or irregularities to undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other

FRONTIER SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9).

Section III – Federal Award Findings and Questioned Costs

Finding 2010-02, INTERNAL CONTROL

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: Title 1, Part A Cluster
CFDA Number: 84.010

Federal funds received as a part of the Title 1, Part A Cluster program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the School Corporation Business Office.

Finding 2010-03, INTERNAL CONTROLS

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: State Fiscal Stabilization Fund Cluster
CFDA Number: 84.394

The financial records for federal funds received as a part of the State Fiscal Stabilization Fund – Education State Grants Recovery Act program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the School Corporation Business Office.

FRONTIER SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FRONTIER SCHOOL CORPORATION

126 E. MAIN STREET
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CHALMERS, IN 47929

BERNARD T. GRASER, SUPERINTENDENT

PHONE: 219-984-5009
FAX: 219-984-5022

Corrective Action Plan 2008-2010

October 26, 2010

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, Indiana 46204-2765

Audit Contact: Erin Marconett, Treasurer
Phone: 219-984-5009 Ext 3024
Expected Completion Date: December 2011

Finding 2010-01, Deficiency Internal Controls

Corrective Action Planned:

The management of Frontier School Corporation has reviewed the Financial Statement Findings related to their audit for the years 2008 – 2010 and offers the following corrective actions.

Lack of Segregation of Duties: Frontier School Corporation will review their office procedures and attempt to institute duties that would involve to some degree, at least on a sample basis, of the work being performed by each of the office employees. However, Frontier is a small school and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Finding 2010-02, Deficiency Internal Controls

Corrective Action Planned:

The management of Frontier School Corporation has reviewed the Federal Award Findings and Questioned Costs related to their audit for the years 2008 – 2010 and offers the following corrective actions.

Lack of Segregation of Duties: Frontier School Corporation will review their office procedures and attempt to institute duties that would involve to some degree, at least on a sample basis, of the work being performed by each of the office employees. However, Frontier is a small school and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Finding 2010-03, Deficiency Internal Controls

Corrective Action Planned:

The management of Frontier School Corporation has reviewed the Federal Award Findings and Questioned Costs related to their audit for the years 2008 – 2010 and offers the following corrective actions.

Lack of Segregation of Duties: Frontier School Corporation will review their office procedures and attempt to institute duties that would involve to some degree, at least on a sample basis, of the work being performed by each of the office employees. However, Frontier is a small school and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.



Bernard Graser
Superintendent

FRONTIER SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2010, with Erin Marconett, Treasurer, and Bernard T. Graser, Superintendent of Schools.