

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2010

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Fund	21
Statement of Fiduciary Net Assets - Fiduciary Funds	22
Notes to Financial Statements	23-36

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Other Post Employment Benefits	37
Schedule of Employer Contributions - Other Post Employment Benefits	37
Combining Balance Sheet - Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	39
Combining Balance Sheet - Agency Funds	40
Schedule of Expenditures of Federal Awards	41
Schedule of Expenditures of State Awards	42
Notes to Schedules of Expenditures of Federal Awards and State Awards	43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	46-47
Schedule of Findings and Questioned Costs	48-49
Schedule of Prior Year Audit Findings and Corrective Action Plan	50



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Education Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the schedule of funding progress - other post employment benefits and schedule of employer contributions - other post employment benefits on page 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The non-major fund combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are 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 the *State Single Audit Guidelines*, and are also not a required part of the financial statements. The non-major fund combining financial statements, and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 8, 2010

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

This section of Freedom Area School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- General Fund (Fund 10) fund balance decreased \$35,057. The fund balance is 11.8% of Fund 10 expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- Actual revenues of \$15,657,725 were \$47,038 less than final budgeted revenues of \$15,704,763. Actual expenditures of \$14,299,436 were \$326,253 less than the final budgeted expenditures of \$14,625,689. Expenditures were within 91.3% of revenue.
- During the 2009-2010 fiscal year, the District began all day Kindergarten. This was very successful. By the end of the fiscal year all students were attending the all day sessions. The start-up cost of this program was about \$340,000. The District had intended to take \$300,000 out of its fund balance but as reported in the end only needed to use \$35,057 of fund balance. While having all day Kindergarten will also bring additional revenue to the District, it will take three years for the full effect.
- The American Recovery and Reinvestment Act (ARRA) was passed in March, 2009. ARRA is a package developed by Congress to create and save millions of jobs, jumpstart the economy, and begin the process of transforming economic recovery by targeted priority investments, including public K-12 education appropriation. For the District, this economic package included an increase in federal special appropriations project funds for fiscal years 2009-2010 and 2010-2011 by about \$410,000 in additional Title I and Special Education funding for the next two years for our District. The overall goals of the ARRA are to stimulate the economy in the short-term and invest in education and other essential public services to ensure the long-term economic health of the US. During 2009-2010 this funding was used to provide a literacy coach for the Title I teaching program as well as the redirecting of an instructional aide position in Title I and two new Special Education staff, staff development, the much needed repair of an elevator, and the redirecting of an instructional aide position in early childhood to be paid from the grant.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements (district-wide and fund statements), including notes to the financial statements.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Assets* and *Statement of Activities* provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The *Statement of Net Assets* compares assets to liabilities to give an overall view of the financial health of the District.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the change in net assets for the District from the previous year.
- The remaining statements: *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements and support the statement of net assets.
- The *Notes to Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.
- *Required Supplementary Information* further explains and supports the financial statements by including a comparison of the District's budget data for the year and all reports in the financial statements through and including the financial notes.
- *Additional Supplemental Information* provides information specific to nonmajor governmental funds such as the Other Special Projects, TEACH, Food Service and Community Service Funds.
- The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table. (Table #1)

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Major Features of the District-wide and Fund Financial Statements

Table #1

-----Fund Financial Statements-----

	District Wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here. The private-purpose trust fund is reported here.
Required financial statements	Statement of net assets and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.	Statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.	Statement of fiduciary net assets and statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, and expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Table #2

Condensed Statement of Net Assets			
	<u>2010</u>	<u>2009, as restated</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$6,309,025	\$7,964,749	-21%
Noncurrent Assets	\$11,313,465	\$11,535,155	-2%
Total Assets	\$17,622,490	\$19,499,904	-10%
<u>Liabilities</u>			
Current Liabilities	\$5,489,478	\$6,915,991	-21%
Noncurrent Liabilities	\$8,412,643	\$9,368,659	-10%
Total Liabilities	\$13,902,121	\$16,284,650	-15%
<u>Net Assets</u>			
Invested in Capital, net of related debt	\$2,917,142	\$2,480,772	18%
Restricted	\$462,344	\$562,682	-18%
Unrestricted	\$340,883	\$171,800	98%
Total Net Assets	\$3,720,369	\$3,215,254	16%

Statement of Net Assets: (Table #2)

The District's overall financial status, as reflected in total net assets, increased by \$505,115 to \$3,720,369. The District reported total assets of \$17.62M, of which \$11.31M are noncurrent assets. The District reported total liabilities of \$13.90M, of which \$8.41M are long-term liabilities.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Table #3

Changes in Net Assets from Operating Results For Governmental Activities					
	<u>Actual 2009-10</u>	<u>%</u>	<u>Actual 2008-09</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program					
Charges for Services	\$986,595	5%	\$844,218	5%	17%
Operating Grants & Cont.	\$1,548,638	8%	\$1,398,473	8%	11%
General					
Equalization Aid	\$9,115,449	49%	\$8,960,482	50%	2%
ARRA State Fiscal Stabilization Fund	\$509,484	3%	\$1,152,067	6%	-56%
Property Taxes	\$6,485,771	34%	\$5,454,502	30%	19%
Other	\$78,709	1%	\$168,295	1%	-53%
Total Revenues	<u>\$18,724,646</u>	<u>100%</u>	<u>\$17,978,037</u>	<u>100%</u>	4%
Expenses:					
Instruction	\$9,996,452	55%	\$9,071,451	53%	10%
Support Services	\$6,017,832	33%	\$5,984,600	35%	1%
Nonprogram	\$724,699	4%	\$654,695	4%	11%
Food Service, Community	\$591,444	3%	\$542,746	3%	9%
Interest and Fiscal Charges	\$474,567	3%	\$609,322	3%	-22%
Unallocated Depreciation	\$414,537	2%	\$399,459	2%	4%
Total Expenses	<u>\$18,219,531</u>	<u>100%</u>	<u>\$17,262,273</u>	<u>100%</u>	6%
Change in Net Assets	<u>\$505,115</u>		<u>\$715,764</u>		-29%

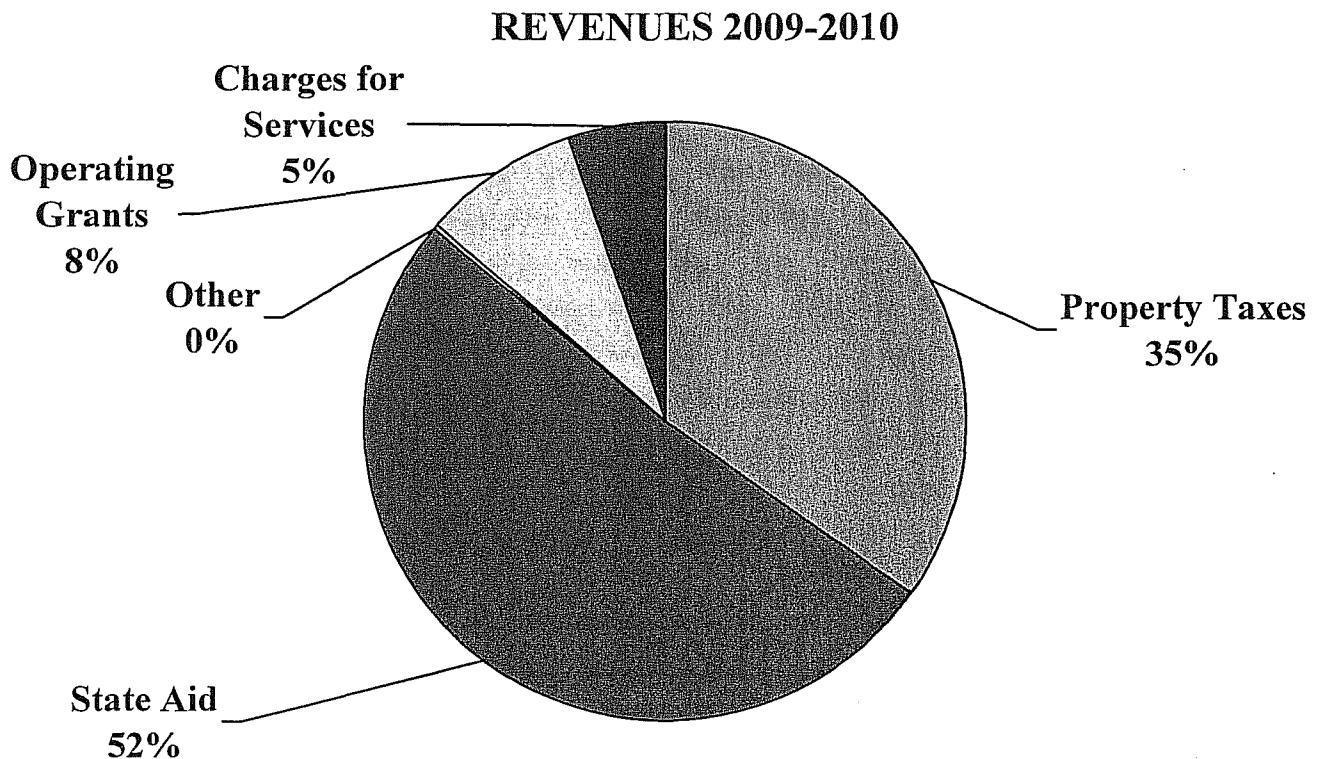
FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Revenues: (Table #3)

- For FY 2010, the District received \$18.72M in revenue. This is an increase of 4% or \$746,609 over the previous year. State equalization aid increased from the prior year by \$154,967 to \$9.12M. Property taxes increased by \$1.03M to \$6.49M. For FY 2010, 49% of total revenue came from state equalization aid, 3% came from ARRA state fiscal stabilization aid, and 34% came from local school property taxes. The District received approximately 14% of all revenue in the form of specific use state aid, federal grants, contributions from individuals, and direct fees for services.
- Individuals, who directly participated or received benefits from a program offering, contributed \$986,595 of the cost, an increase of \$142,377 from the prior year. Book and activity fees, admissions to athletic events, school lunch fees, open enrollment tuition, and building rental fees are included here.
- Individuals and federal and state government subsidized certain programs with grants and contributions of \$1.55M, which is an increase of \$150,165 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$78,709 in other income, a decrease of \$89,586 from the prior year. For FY 2010, 40% or \$31,354 of other income was received as interest income.



FREEDOM AREA SCHOOL DISTRICT

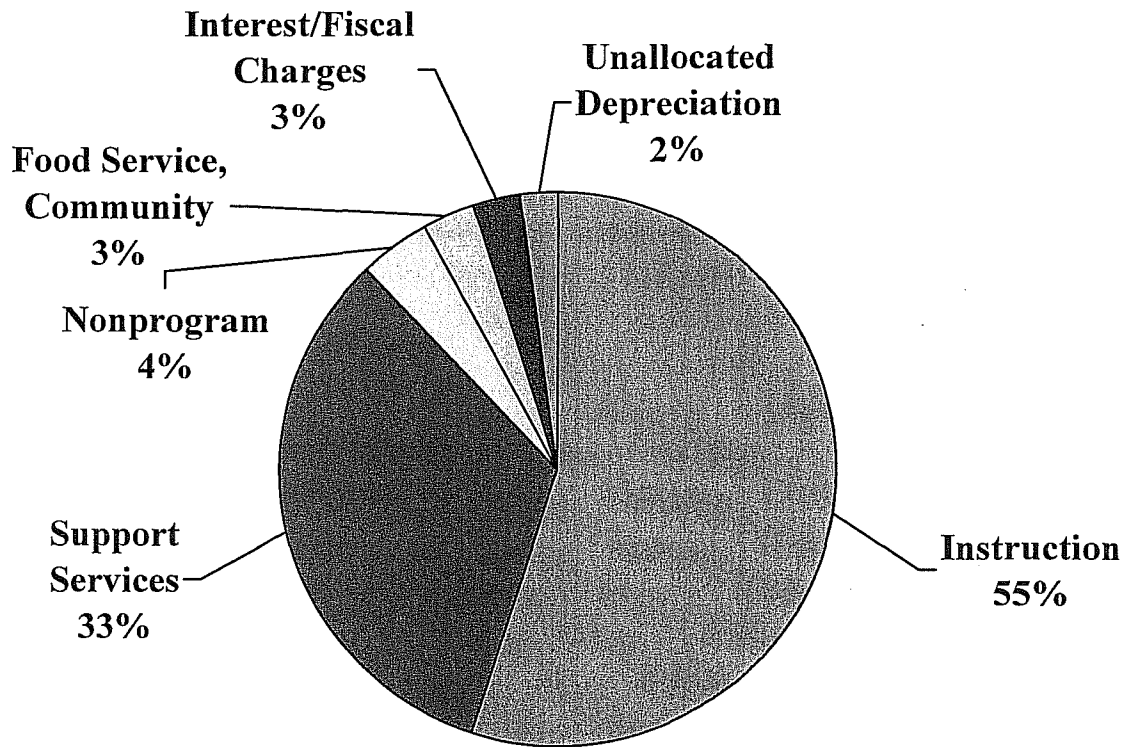
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Expenses: (Table #3)

- For FY 2010, the District's total expenditure amount was \$18.22M. This is an increase of \$957,258 from the prior year. For FY 2010, 55% was directed to instruction and 33% was directed to support services. Nonprogram expenditure amounts were 4% of the total. The food service program and community service represents 3% and costs for debt service represented 3% of total expenditures.

EXPENDITURES 2009-2010



FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$9,996,452	\$8,242,066
Support Services	\$6,017,832	\$5,788,438
Nonprogram	\$724,699	\$724,699
Food Service, Community Service	\$591,444	\$39,991
Interest and Fiscal Charges	\$474,567	\$474,567
Unallocated Depreciation	\$414,537	\$414,537
	\$18,219,531	\$15,684,298
Total	\$18,219,531	\$15,684,298

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$18.22M.
- The net cost of governmental activities, \$15.68M, was financed by general revenues, which are primarily made up of state equalization aid of \$9.12M, ARRA state fiscal stabilization aid of \$509,484, and property taxes of \$6.49M. Miscellaneous and investment earnings accounted for \$78,709. In addition, District operations were subsidized by \$2.54M, which was collected through direct fees, operating grants, and contributions.

General Fund Budgetary Comparison:

- Consistent with current state statutes and regulations, an original budget is adopted in October to reflect the actual revenue cap and state aid certification. The District did not modify its original budget in 2009-10. The statement of revenues, expenditures, and changes in fund balances-budget and actual for the general and special education fund shows a comparison of the budget versus actual.
- Actual results for the year showed an excess of expenditures over revenues of \$35,057. Total revenues were lower than budget by \$47,038. Total expenditures were lower than budget by \$326,253.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Fund Balances:

- The District shows a total for all fund balances of \$2.15M as of June 30, 2010.
- \$1.69M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations.
- \$187,829 in the Debt Service Fund (Funds 38 & 39) is reserved to make future payments on long-term debt.

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$11.31M in Capital Assets. Further detail can be found in Note 3 in the financial statements.

Long-term Debt

- At year-end, the District had \$9.67M in Long-term Obligations. Further detail can be found in Note 6 in the financial statements.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Economic Factors That Will Have an Impact on the Future of the District:

There are several things occurring in the District that will have significance on the future of the District. These items should be kept in mind while reading the financial statements and looking at the current status of the District.

- One of the main factors that will have economic impact on the future of the District will be how the Wisconsin Legislature continues to fund education. Each year as the state budget is being developed; educational institutions cannot be sure what the impact will be to their budget. As school districts live under revenue limits, the numbers used to generate that limit are critical to the operations of public education.
- The second factor that will have economic impact on the District is the number of students that are enrolled. This number is what is used to generate the revenue limit and amount of money that can be raised to fund the schools. Over the last several years this number has been increasing, since 2004-2005 the full time equivalency in the District has increased by over 140 students. This number also plays into decisions regarding the District's facilities.
- The District is currently working on paying off the piece of land it purchased on County Road N. At this time it is being rented by an area farmer. A committee will be formed in the next two years to study needs and usage of the facilities.
- The American Recovery and Reinvestment Act (ARRA) was passed in March, 2009. ARRA is a package developed by Congress to create and save millions of jobs, jumpstart the economy, and begin the process of transforming economic recovery by targeted priority investments, including public K-12 education appropriation. The District will use the remainder of its ARRA allocation during the 2010-2011 fiscal year to continue the efforts started and highlighted in 2009-2010. We will use the money for the same items as well as repairing a second elevator in the District. After 2010-2011 the District will evaluate the ability and/or need to keep the additional staff that is being funded through ARRA.
- The District received a federal Carol M. White Physical Education Program Grant (PEP) as of September 30, 2010. The funding for this grant will last for three years and will be for a total of \$578,171. The purpose of this grant is to increase the percentage of students who engage in physical activity and who consume more fruits and vegetables, decrease the number of students who have a body mass index in the overweight or obese category and to increase the number of students who meet the Wisconsin Model Academic Standards. These goals will be accomplished by creating a cardio workout room, adding a climbing wall and traverse wall in the District, purchasing other equipment that will enhance the physical education curriculum as well as the health curriculum. Training for all physical education and health staff to accomplish these goals will also be funded through the grant. Following the three year grant period there will be some ongoing funding that will need to be picked up by the District to continue these efforts.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

- The State of Wisconsin has given Districts a onetime grant for 2010-2011 called the Education Jobs Fund. The District received \$315,827 which will be used to hire a new staff member and supplement the wages of current staff which will allow the remainder of the money to be freed up. The District has decided to use the freed up money to enable them to purchase long overdue technology updates in the District including installing interactive whiteboards in a majority of the classrooms and updating some server and wiring needs. The entire grant will be used during 2010-2011 with the impact of this money benefiting the District for years to come.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Maggie Gagnon, Business Manager, Freedom Area School District, N4021 County Road E, Freedom, and WI 54130-7593.

BASIC FINANCIAL STATEMENTS

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF NET ASSETS
June 30, 2010**

ASSETS

Current assets:

Cash and investments	\$ 3,719,700
Taxes receivable	1,706,500
Accounts receivable	28,424
Due from other governments	846,782
Inventories and prepaid expenses	7,619
Total current assets	<u>6,309,025</u>

Capital assets:

Land, buildings and equipment	17,191,253
Less accumulated depreciation	<u>5,877,788</u>
Net capital assets	<u>11,313,465</u>

Total assets	<u>17,622,490</u>
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LIABILITIES

Current liabilities:

Short term notes payable	3,500,000
Current portion of bonds and notes payable	1,259,449
Accounts payable	25
Deferred revenue	13,737
Accrued salaries and wages	28,310
Accrued payroll taxes and withholdings	573,927
Accrued interest payable	114,030
Total current liabilities	<u>5,489,478</u>

Long-term liabilities:

Bonds and notes payable	7,811,249
Other post employment benefits	515,002
Unused vested employee benefits	<u>86,392</u>
Total long-term liabilities	<u>8,412,643</u>

Total liabilities	<u>13,902,121</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,917,142
Restricted	462,344
Unrestricted	<u>340,883</u>
Total net assets	<u>\$ 3,720,369</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Undifferentiated curriculum	\$ 3,003,321	\$ 257,917	\$ 198,441	\$(2,546,963)
Regular curriculum	3,521,763	257,917	--	(3,263,846)
Special education curriculum	1,799,978	62,440	920,834	(816,704)
Other instructional curriculum	1,671,390	50,552	6,285	(1,614,553)
Total Instruction	<u>9,996,452</u>	<u>628,826</u>	<u>1,125,560</u>	<u>(8,242,066)</u>
Support services:				
Pupil services	702,997	--	169,923	(533,074)
Instructional staff services	726,084	--	--	(726,084)
General administration	208,298	--	6,292	(202,006)
School building administration	737,905	--	--	(737,905)
Business administration	2,505,870	--	2,831	(2,503,039)
Other support services	1,136,678	--	50,348	(1,086,330)
Total Support Services	<u>6,017,832</u>	<u>--</u>	<u>229,394</u>	<u>(5,788,438)</u>
Nonprogram	724,699	--	--	(724,699)
Food service	536,217	357,769	193,684	15,236
Community service	55,227	--	--	(55,227)
Interest and fiscal charges	474,567	--	--	(474,567)
Unallocated depreciation	414,537	--	--	(414,537)
Total Activities	<u>\$ 18,219,531</u>	<u>\$ 986,595</u>	<u>\$ 1,548,638</u>	<u>(15,684,298)</u>

General revenues:

Equalization aid	9,115,449
ARRA state fiscal stabilization aid	509,484
Property taxes levied for:	
General purposes	4,988,771
Debt service	1,462,000
Community service	35,000
Interest income	31,355
Miscellaneous	47,354
Total general revenues	<u>16,189,413</u>

Change in net assets 505,115

Net assets, beginning of the year, as restated 3,215,254

Net assets, end of year \$ 3,720,369

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2010

	General Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,280,523	\$ --	\$ 187,829	\$ 251,348	\$ 3,719,700
Taxes receivable, net	1,706,500	--	--	--	1,706,500
Account receivable	1,153	--	--	27,271	28,424
Due from other funds	435,038	--	--	--	435,038
Due from other governments	409,730	435,038	--	2,014	846,782
Inventories and prepaid supplies	--	--	--	7,619	7,619
Total assets	\$ 5,832,944	\$ 435,038	\$ 187,829	\$ 288,252	\$ 6,744,063
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Short-term liabilities	\$ 3,500,000	\$ --	\$ --	\$ --	\$ 3,500,000
Accounts payable	25	--	--	--	25
Deferred revenue	--	--	--	13,737	13,737
Accrued salaries and wages	28,310	--	--	--	28,310
Accrued payroll taxes and withholdings	573,927	--	--	--	573,927
Accrued interest	42,705	--	--	--	42,705
Due to other funds	--	435,038	--	--	435,038
Total liabilities	4,144,967	435,038	--	13,737	4,593,742
 Fund balance:					
Reserved	--	--	187,829	274,515	462,344
Unreserved:					
Designated	1,687,977	--	--	--	1,687,977
Total fund balance	1,687,977	--	187,829	274,515	2,150,321
 Total liabilities and fund balance					
	\$ 5,832,944	\$ 435,038	\$ 187,829	\$ 288,252	\$ 6,744,063

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010**

Total fund balance - governmental funds \$ 2,150,321

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets consisted of:

Land	1,501,475	
Land improvements, net of \$551,880 accumulated depreciation	567,093	
Buildings, net of \$3,266,272 accumulated depreciation	8,660,938	
Machinery and equipment, net of \$2,021,636 accumulated depreciation	<u>583,959</u>	
Total capital assets		11,313,465

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet. (71,325)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but rather, is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2010, are:

Bonds and notes payable, including current portion	(9,070,698)	
Other post employment benefits	(515,002)	
Unused vested employee benefits	<u>(86,392)</u>	
Total long-term liabilities		<u>(9,672,092)</u>

Total net assets of governmental activities \$ 3,720,369

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2010

	General Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 5,171,731	\$ --	\$ 1,462,751	\$ 410,883	\$ 7,045,365
Interdistrict sources	418,834	62,440	--	--	481,274
Intermediate sources	12,812	6,955	--	--	19,767
State sources	9,288,203	497,954	--	8,966	9,795,123
Federal sources	741,709	414,861	--	201,047	1,357,617
Other sources	24,436	1,064	--	--	25,500
Total revenues	15,657,725	983,274	1,462,751	620,896	18,724,646
Expenditures:					
Instruction:					
Undifferentiated curriculum	3,025,664	--	--	15,512	3,041,176
Regular curriculum	3,547,568	6,200	--	--	3,553,768
Special education curriculum	--	1,800,983	--	--	1,800,983
Other instructional curriculum	1,682,983	--	--	15,291	1,698,274
Total instruction	8,256,215	1,807,183	--	30,803	10,094,201
Support services:					
Pupil services	465,620	231,883	--	5,494	702,997
Instructional staff services	604,913	123,705	--	816	729,434
General administration	208,298	--	--	--	208,298
School building administration	737,905	--	--	--	737,905
Business administration	2,452,472	135,489	--	--	2,587,961
Debt service	49,533	--	1,543,168	--	1,592,701
Other support services	879,121	--	--	11,280	890,401
Total support services	5,397,862	491,077	1,543,168	17,590	7,449,697
Nonprogram	645,359	78,360	--	980	724,699
Food service	--	--	--	536,217	536,217
Community service	--	--	--	55,227	55,227
Total expenditures	14,299,436	2,376,620	1,543,168	640,817	18,860,041
Excess of revenues over (under) expenditures	<u>1,358,289</u>	<u>(1,393,346)</u>	<u>(80,417)</u>	<u>(19,921)</u>	<u>(135,395)</u>
Other financing sources (uses):					
Operating transfers in	--	1,393,346	--	--	1,393,346
Operating transfers (out)	(1,393,346)	--	--	--	(1,393,346)
Net other financing sources (uses)	(1,393,346)	1,393,346	--	--	--
Net change in fund balance	(35,057)	--	(80,417)	(19,921)	(135,395)
Fund balance, beginning of year	1,723,034	--	268,246	294,436	2,285,716
Fund balance, end of year	\$ 1,687,977	\$ --	\$ 187,829	\$ 274,515	\$ 2,150,321

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2010

Net change in fund balance - total governmental funds	\$(135,395)
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The change in net assets reported for governmental activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which depreciation exceeds capital outlays in the current period.	(221,690)
--	------------

Other post employment benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. Other post employment benefits earned are greater than the amounts paid.	(237,242)
---	------------

Governmental funds report actual vested employee benefit payments made. The government-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the accrual basis exceeded the actual payments in the current year.	(18,692)
---	-----------

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	16,003
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Governmental funds report loan origination costs as expenditures in the year incurred. In the statement of activities, these costs are capitalized and amortized over the life of the loan.

Loan costs amortized in the current year	(47,500)
--	-----------

Loan proceeds are reported as financing sources in governmental funds and thus, contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the government funds, but reduces the liability in the statement of net assets. This is the amount by which repayments exceed proceeds.	<u>1,149,631</u>
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Change in net assets of governmental activities	<u>\$ 505,115</u>
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
GENERAL FUND**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 5,205,582	\$ 5,205,582	\$ 5,171,731	\$(33,851)
Interdistrict sources	431,681	431,681	418,834	(12,847)
Intermediate sources	8,763	8,763	12,812	4,049
State sources	9,805,664	9,805,664	9,288,203	(517,461)
Federal sources	236,573	236,573	741,709	505,136
Other sources	<u>16,500</u>	<u>16,500</u>	<u>24,436</u>	<u>7,936</u>
Total revenues	<u>15,704,763</u>	<u>15,704,763</u>	<u>15,657,725</u>	<u>(47,038)</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	3,021,358	3,021,358	3,025,664	(4,306)
Regular curriculum	3,618,963	3,618,963	3,547,568	71,395
Other instructional curriculum	<u>1,742,745</u>	<u>1,742,745</u>	<u>1,682,983</u>	<u>59,762</u>
Total instruction	<u>8,383,066</u>	<u>8,383,066</u>	<u>8,256,215</u>	<u>126,851</u>
Support services:				
Pupil services	460,039	460,039	465,620	(5,581)
Instructional staff services	610,449	610,449	604,913	5,536
General administration	226,844	226,844	208,298	18,546
Buildings and grounds	746,602	746,602	737,905	8,697
Business administration	2,643,001	2,643,001	2,452,472	190,529
Debt service	61,000	61,000	49,533	11,467
Other support services	<u>857,103</u>	<u>857,103</u>	<u>879,121</u>	<u>(22,018)</u>
Total support services	<u>5,605,038</u>	<u>5,605,038</u>	<u>5,397,862</u>	<u>207,176</u>
Nonprogram	<u>637,585</u>	<u>637,585</u>	<u>645,359</u>	<u>(7,774)</u>
Total expenditures	<u>14,625,689</u>	<u>14,625,689</u>	<u>14,299,436</u>	<u>326,253</u>
Excess of revenues over expenditures	<u>1,079,074</u>	<u>1,079,074</u>	<u>1,358,289</u>	<u>279,215</u>
Other financing sources (uses):				
Operating transfers (out)	<u>(1,379,074)</u>	<u>(1,379,074)</u>	<u>(1,393,346)</u>	<u>(14,272)</u>
Net change in fund balance	(300,000)	(300,000)	(35,057)	264,943
Fund balance, beginning of year	<u>1,723,034</u>	<u>1,723,034</u>	<u>1,723,034</u>	<u>- -</u>
Fund balance, end of year	<u>\$ 1,423,034</u>	<u>\$ 1,423,034</u>	<u>\$ 1,687,977</u>	<u>\$ 264,943</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
Interdistrict sources	\$ 30,217	\$ 30,217	\$ 62,440	\$ 32,223
Intermediate sources	5,000	5,000	6,955	1,955
State sources	487,500	487,500	497,954	10,454
Federal sources	542,819	542,819	414,861	(127,958)
Other sources	--	--	1,064	1,064
Total revenues	<u>1,065,536</u>	<u>1,065,536</u>	<u>983,274</u>	<u>(82,262)</u>
Expenditures:				
Instruction:				
Regular curriculum	--	--	6,200	(6,200)
Special education curriculum	<u>1,911,280</u>	<u>1,911,280</u>	<u>1,800,983</u>	<u>110,297</u>
Total instruction	<u>1,911,280</u>	<u>1,911,280</u>	<u>1,807,183</u>	<u>104,097</u>
Support services:				
Pupil services	257,531	257,531	231,883	25,648
Instructional staff services	104,089	104,089	123,705	(19,616)
Business administration	<u>116,710</u>	<u>116,710</u>	<u>135,489</u>	<u>(18,779)</u>
Total support services	<u>478,330</u>	<u>478,330</u>	<u>491,077</u>	<u>(12,747)</u>
Nonprogram	<u>55,000</u>	<u>55,000</u>	<u>78,360</u>	<u>(23,360)</u>
Total expenditures	<u>2,444,610</u>	<u>2,444,610</u>	<u>2,376,620</u>	<u>67,990</u>
Excess of revenues (under) expenditures	<u>(1,379,074)</u>	<u>(1,379,074)</u>	<u>(1,393,346)</u>	<u>(14,272)</u>
Other financing sources (uses):				
Operating transfers in	<u>1,379,074</u>	<u>1,379,074</u>	<u>1,393,346</u>	<u>14,272</u>
Net change in fund balance	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance, beginning of year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN

STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS

June 30, 2010

	<u>Student Activity</u>
ASSETS	
Cash	\$ 184,281
LIABILITIES	
Due to student organizations	<u>184,281</u>
NET ASSETS	<u>\$ - -</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

The financial statements of Freedom Area School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

A. Reporting Entity

Freedom Area School District was established on July 3, 1963, as a common school district. The District, governed by a seven member elected board, operates grades Pre-K through 12 and is comprised of all or parts of six taxing districts. The District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since it has decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and it is primarily accountable for fiscal matters. In addition, there are no component units, as defined in GASB Statement 14 that are included in the District's reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, as prescribed by the Wisconsin Department of Public Instruction, for elementary and secondary school districts, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District operates the following major governmental funds:

General Fund - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Special Education Fund - The Special Education Fund is used to account for the proceeds of the handicapped program and is legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The District operates the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses Special Revenue Funds to account for its TEACH, gift fund, food service, and community service funds.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by Trust Funds).

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Additionally, the District reports the following fund types:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include private-purpose trust, employee flexible benefit, and agency funds. Donations for scholarships and other bequests are accounted for in private-purpose trust funds. Private-purpose trust funds are accounted for in essentially the same manner as proprietary funds. Employee benefit trust funds are setup to put aside monies for future post retirement benefits. They are irrevocable and can only be dissolved after all the trust assets have been used for their intended purpose. Activities of student organizations are accounted for in an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between governmental and business-type activities of the District. The District did not have any business-type activities in place at June 30, 2010.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation between the government-wide statements and the governmental fund statements.

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

Fund Financial Statements

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

D. Basis of Accounting

The district-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State and Federal government are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable and available.

E. Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the object level in the general fund and at the total expenditures level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

F. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts.

All investments are stated at market value. Determination of fair value for investment in the State Treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

G. Property Taxes

The aggregate District tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and the final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period that the taxes are levied as if they are due in the current year and available to pay current liabilities. The 2009 tax levy is used to finance operations of the District's fiscal year ended June 30, 2010. All property taxes are considered due on January 1, 2010, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

H. Receivables

Receivables at June 30, 2010, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Inventories and Prepaid Supplies

Inventories and prepaid supplies are valued at the lower of cost (first-in, first-out) or market. Inventory in the Governmental Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Vacation benefits are accrued as a liability if the employee's right to receive compensation is attributable to services already rendered, and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absence liability is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available resources. The balance of the liability is not recorded.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Ten school days of sick leave credit is accrued to each teacher per year for personal illness. All teachers in the District begin each year with 10 fully vested sick days. All teachers can accumulate up to a maximum of 115 days. Each teacher is credited \$10.00 per day of accumulated sick leave remaining upon retirement. Only teachers who have taught a minimum of 15 years in the Freedom District and have reached age 55 are eligible for this benefit.

Support staff is credited with up to ten days of sick leave per year for personal illness. These employees can accumulate up to a maximum of 100 days. Eligible employees are credited \$10.00 per day of accumulated sick leave remaining upon retirement, which can only be used for District sponsored health or dental premiums. Only bargaining unit members who have been employed by the District for a minimum of 15 years are eligible for this benefit.

K. Capital Assets and Depreciation

General capital assets are reported in the government-wide statement of net assets but not in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirement during the year. Donated fixed assets are recorded at their market value as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than one year, unless their exclusion as a group would make the financial statements materially misleading. All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Land	Not depreciated
Land improvements	20 years
Buildings	50 years
Machinery and equipment	5-15 years
Infrastructure	7 years

L. Interfund Activity

Short-term interfund loans are classified as interfund receivables/payables in the fund financial statements. These amounts are eliminated in the statement of net assets.

M. Accrued Liabilities and Long-term Debt

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

For governmental fund financial statements, accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

N. Governmental Fund Balance Reserves

The District records reservations for portions of governmental fund balances, which are legally segregated for specific future use or which do not represent available spendable resources and are therefore not available for appropriation. Unreserved fund balance indicates the portion of the fund balance that is available for appropriation in future periods.

O. Restricted Resources

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

P. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash and Investments:

The Debt Service Fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Agency Fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statute 66.0603(1m). The School Board has adopted an investment policy pursuant to these statutes that allows the District to invest in the following:

Time Deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and School Districts Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

Bonds issued by a local cultural arts district

Securities which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired and received the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency

Securities of an open-ended management investment company or investment trust, if the investment company does not charge a sales load, is registered under the investment company act of 1940, and the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed by the federal government, or repurchase securities that are fully collateralized by bonds or securities

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The carrying amount of the District's cash and investments totaled \$3,903,981 on June 30, 2010, as summarized below:

Petty cash funds	\$ 275
Deposits with financial institutions	3,786,322
Investments	
State Treasurer's investment pool	117,384
	<u>\$ 3,903,981</u>

Reconciliation to the basic financial statements:

Statement of net assets	\$ 3,719,700
Agency funds	184,281
	<u>\$ 3,903,981</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of specific risks and the District's policy related to each risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

(FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits. In addition, the State of Wisconsin has a State Guarantee Fund that provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

On June 30, 2010, \$500,000 of the District's deposits with financial institutions were covered by FDIC insurance and \$400,000 was covered by the State Guarantee Fund. Additionally, one bank has pledged securities valued at \$6,640,161. At year-end, all deposits were either insured or collateralized.

The investment in the State Treasurer's investment pool is insured against defaults in principal payments by Financial Security Assurance Incorporated.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy.

Following is the distribution of the District's investments:

	Cost	Fair Value
State Treasurer's investment pool	\$ 117,384	\$ 117,384

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy to address interest rate risk.

Note 3. Capital Assets:

Capital asset activity for the year ended June 30, 2010, follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,116,084	2,889	--	1,118,973
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	2,427,637	189,958	12,000	2,605,595
Infrastructure	38,000	--	--	38,000
Total	17,010,406	192,847	12,000	17,191,253
Accumulated Depreciation:				
Land improvements	496,004	55,876	--	551,880
Buildings	3,030,224	236,048	--	3,266,272
Furniture and equipment	1,911,023	122,613	12,000	2,021,636
Infrastructure	38,000	--	--	38,000
Total	5,475,251	414,537	12,000	5,877,788
Net Total	\$ 11,535,155	\$(221,690)	\$ --	\$ 11,313,465

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Interfund Receivables, Payables, and Transfers:

<i>Fund</i>	<u>Due From</u>	<u>Due To</u>
General	\$ 435,038	\$ --
Special education	<u> --</u>	<u>435,038</u>
Total	<u>\$ 435,038</u>	<u>\$ 435,038</u>

Interfund transfers on the fund financial statements at June 30, 2010, consisted of the following:

Transfer from the General Fund to the Special Education Fund	\$ 1,393,346
--	--------------

Note 5. Short-term Notes Payable:

Short-term notes payable cover District costs until anticipated tax and other revenue is collected throughout the year. Short-term notes payable of the District at June 30, 2010, are as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ 5,000,000	\$ 3,500,000	\$ 5,000,000	\$ 3,500,000

The note was issued on October 29, 2009, and matures on October 15, 2010. The interest rate on the note is 1.63%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2010, for short-term notes totaled \$48,807.

Note 6. Long-term Obligations:

Long-term obligations of the District at June 30, 2010,

<i>Type</i>	<u>Beginning Balance As Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation debt	\$ 10,255,954	\$ --	\$ 1,149,631	\$ 9,106,323
Unamortized debt acquisition costs	<u>(83,125)</u>	<u> --</u>	<u>(47,500)</u>	<u>(35,625)</u>
Total bonds and notes payable	10,172,829	--	1,102,131	9,070,698
Other post employment benefits	277,760	789,774	552,532	515,002
Vested employee benefits	<u>67,700</u>	<u>18,692</u>	<u> --</u>	<u>86,392</u>
Totals	<u>\$ 10,518,289</u>	<u>\$ 808,466</u>	<u>\$ 1,654,663</u>	<u>\$ 9,672,092</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-term Obligations - Continued:

Total interest paid for the year ended June 30, 2010, was \$393,538 for general obligation debt.

All general long-term obligations are secured by the full faith and credit and unlimited taxing powers of the District. General long-term obligations at June 30, 2010, are comprised of the following issues:

<i>Description</i>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
General Obligation Refunding Bonds	3/02/2009	3.00%-3.50%	4/01/2015	\$ 3,100,000
General Obligation Refunding Bonds	12/01/2001	3.25%-5.375%	4/01/2021	370,000
General Obligation Refunding Bonds	4/01/2005	2.65%-4.20%	4/01/2021	4,375,000
General Obligation Refunding Bonds (JPMorgan Chase)	2/14/2006	5.89%	2/14/2016	551,323
General Obligation Promissory Note	2/15/2007	4.00%	4/01/2016	<u>710,000</u>
Total General Obligation Debt				<u>\$ 9,106,323</u>

At June 30, 2010, \$4,470,000 of outstanding general obligation bonds is considered defeased.

The 2009 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$711,618,971. The legal debt limit and margin of indebtedness as of June 30, 2010, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$711,618,971)	\$ 71,161,897
Deduct long-term debt applicable to debt margin	<u>9,106,323</u>
Margin of indebtedness	<u>\$ 62,055,574</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-term Obligations - Continued:

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2010, follows:

Year ending <i>June 30,</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,259,449	\$ 335,711	\$ 1,595,160
2012	1,039,560	297,159	1,336,719
2013	1,124,980	261,037	1,386,017
2014	1,230,728	221,339	1,452,067
2015	1,341,823	263,584	1,605,407
2016-2020	2,504,783	430,891	2,935,674
2021	<u>605,000</u>	<u>25,410</u>	<u>630,410</u>
Totals	<u>\$ 9,106,323</u>	<u>\$ 1,835,131</u>	<u>\$ 10,941,454</u>

Note 7. Restricted Net Assets and Reserved Fund Balances:

Portions of net assets and fund balances are restricted and reserved and are not available for current appropriation or expenditure, as follows:

Debt service	\$ 187,829
Other special projects	8,894
TEACH fund	44,527
Food service	154,443
Community service	<u>66,651</u>
Total	<u>\$ 462,344</u>

Note 8. Excess of Actual Expenditures Over Budget:

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2010:

General fund:	
Undifferentiated curriculum	\$ 4,306
Pupil services	5,581
Other support services	22,018
Nonprogram	7,774
Special education fund:	
Regular curriculum	6,200
Instructional staff services	19,616
Business administration	18,779
Nonprogram	23,360

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. Defined Benefit Pension Plan:

All eligible School District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 440 hours a year are eligible to participate in the WRS. Employees are required by statute to contribute a percentage set by the Employee Trust Funds Board to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Freedom Area School District employees covered by the system for the year ended June 30, 2010, was \$8,198,741; the employer's total payroll was \$8,507,783. The total required contribution for the year ended June 30, 2010, was \$882,771, which consisted of \$383,994 or 4.5-4.8% of payroll from the employer and \$498,777, or 5.9-6.2% of payroll from employees. Total contributions for the years ended June 30, 2009 and 2008, were \$727,153 and \$622,688, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

Note 10. Other Post Employment Benefits:

The District's post employment medical plan is a single-employer defined benefit healthcare plan administered by the District. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The authority to establish and amend benefit provisions is with the school board. There is no financial report issued by the plan.

The accrual basis of accounting is used. The fair value of assets is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

The contribution requirements of the District are established and may be amended by the school board. The required contribution is based on an actuarial study. For the fiscal year ended June 30, 2010, the District contributed \$552,532.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. Other Post Employment Benefits - Continued:

The District's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, projected to cover the normal cost as well as the amortized unfunded actuarial liability. The following table shows the components of the District's annual OPEB for the year, the amount actually contributed, and the changes to the District's net OPEB obligation.

Annual required contribution	\$	786,628
Interest on net OPEB obligation		18,054
Adjustment to annual required contribution		<u>(14,908)</u>
Annual OPEB cost		789,774
Contributions made		<u>552,532</u>
Increase in net OPEB obligation		237,242
Net OPEB obligation - beginning of year		<u>277,760</u>
Net OPEB obligation - ending of year	\$	<u><u>515,002</u></u>

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$7,535,977, and the actuarial value of assets was \$0. This resulted in an unfunded actuarial liability (UAAL) of \$7,535,977. The covered payroll (annual payroll of active employees covered by the plan) was \$5,874,414 and the ratio of UAAL to the covered payroll was 128.28 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the actuarial valuation, the projected unit credit method was used. The actuarial assumption included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and a healthcare cost trend rate of 11.5 percent initially, decreasing by 1 percent per year down to 5.5 percent and then a decrease of .5 percent for one year down to 5.0 percent. The dental care inflation rate is set at 4 percent. Both rates include a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2010, was 28 years.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. Limitation on School District Revenues:

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

Note 12. Contingent Liabilities:

Risk management - The District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2010. No settlements exceeded insured amounts in the last three fiscal years.

Litigation - From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and counsel that the likelihood is remote, due in part to insurance coverage, that any other such claims or proceedings will have a material effect on the District's financial position.

Note 13. Subsequent Events:

The District has evaluated all subsequent events through November 8, 2010, the date the financial statements were available to be issued.

Note 14. Prior Period Adjustment:

The effect of the District making a prior period adjustment (see explanation below) resulted in the restatement of the District's net assets as of July 1, 2009, as follows:

Total net assets as previously reported	\$ 2,848,683
Change to actual OPEB contribution amount made for previous years	<u>366,571</u>
Net assets as restated	<u>\$ 3,215,254</u>

Contributions to the OPEB plan previously reported were \$907,275. The actual amount contributed to the OPEB plan was \$1,273,846. The effect of this transaction increased net assets by \$366,571. Also, see Note 10 (other post employment benefits) for additional information.

SUPPLEMENTARY INFORMATION

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
June 30, 2010**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratios</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/2008	\$ --	\$ 7,535,977	\$ 7,535,977	0.00%	\$ 5,874,414	128.28%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST EMPLOYMENT BENEFITS
June 30, 2010**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2010	\$ 789,773	69.96%	\$ 515,002
06/30/2009	772,783	76.22%	277,760
06/30/2008	766,675	87.74%	93,967

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2010

	Other Special Projects	TEACH	Food Service	Community Service	Total Nonmajor Governmental Funds
Assets:					
Cash and investments	\$ 8,894	\$ 44,527	\$ 131,276	\$ 66,651	\$ 251,348
Accounts receivable	--	--	27,271	--	27,271
Due from other governments	--	--	2,014	--	2,014
Inventories and prepaid supplies	--	--	7,619	--	7,619
TOTAL ASSETS	\$ 8,894	\$ 44,527	\$ 168,180	\$ 66,651	\$ 288,252
 Liabilities:					
Deferred revenue	\$ --	\$ --	\$ 13,737	\$ --	\$ 13,737
Fund balance	8,894	44,527	154,443	66,651	274,515
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,894	\$ 44,527	\$ 168,180	\$ 66,651	\$ 288,252

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -**

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Local sources	\$ 17,603	\$ 100	\$ 358,027	\$ 35,153	\$ 410,883
State sources	--	--	8,966	--	8,966
Federal sources	<u>16,328</u>	<u>--</u>	<u>184,719</u>	<u>--</u>	<u>201,047</u>
 Total revenues	 <u>33,931</u>	 <u>100</u>	 <u>551,712</u>	 <u>35,153</u>	 <u>620,896</u>
 Expenditures:					
Instruction:					
Undifferentiated curriculum	15,512	--	--	--	15,512
Other instructional curriculum	15,291	--	--	--	15,291
Support services:					
Pupil services	5,494	--	--	--	5,494
Instructional staff services	816	--	--	--	816
Other support services	--	11,280	--	--	11,280
Nonprogram	980	--	--	--	980
Food service	--	--	536,217	--	536,217
Community service	<u>--</u>	<u>--</u>	<u>--</u>	<u>55,227</u>	<u>55,227</u>
 Total expenditures	 <u>38,093</u>	 <u>11,280</u>	 <u>536,217</u>	 <u>55,227</u>	 <u>640,817</u>
 Excess of revenues and other financing sources over (under) expenditures	 (4,162)	 (11,180)	 15,495	 (20,074)	 (19,921)
 Fund balance, beginning of year	 <u>13,056</u>	 <u>55,707</u>	 <u>138,948</u>	 <u>86,725</u>	 <u>294,436</u>
 Fund balance, end of year	 <u>\$ 8,894</u>	 <u>\$ 44,527</u>	 <u>\$ 154,443</u>	 <u>\$ 66,651</u>	 <u>\$ 274,515</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2010

	<u>Balances</u> <u>6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>6/30/10</u>
Assets:				
Cash	\$ 129,181	\$ 622,244	\$ 567,144	\$ 184,281
Liabilities:				
Due to student organizations:				
High School	\$ 72,713	\$ 411,833	\$ 366,564	\$ 117,982
Summer School	7,614	12,376	13,930	6,060
Officials	865	29,825	30,466	224
Middle School	16,462	96,030	86,947	25,545
Elementary School	25,655	58,620	53,224	31,051
Elementary-Partnership	2,560	378	2,266	672
Elementary-Student Council	3,312	13,182	13,747	2,747
TOTAL LIABILITIES	<u>\$ 129,181</u>	<u>\$ 622,244</u>	<u>\$ 567,144</u>	<u>\$ 184,281</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Accrued Receivable 6/30/09	Expenditures	Grantor Reimbursements	Accrued Receivable 6/30/10
U.S. DEPARTMENT OF AGRICULTURE					
WI Department of Public Instruction					
National School Lunch-noncash	10.555	\$ --	\$ 39,105	\$ 39,105	\$ --
National School Lunch-cash	10.555	1,925	142,072	142,047	1,950
National School Milk	10.556	153	3,542	3,630	65
U.S. DEPARTMENT OF EDUCATION					
Title IX- Indian Education Act	84.060	--	16,328	16,328	--
WI Department of Public Instruction					
Title IA - Basic Grant	84.010	155,577	152,693	155,577	152,693
Flow Through	84.027	232,468	231,179	232,468	231,179
Preschool Entitlement	84.173	4,267	13,548	12,024	5,791
Title IIA - Quality Teachers	84.367	54,449	46,164	54,449	46,164
ARRA - Title I-A	84.389	--	33,368	--	33,368
ARRA-Flow Through	84.391	--	123,826	--	123,826
ARRA-Preschool Entitlement	84.392	--	8,880	--	8,880
ARRA - State Fiscal Stabilization Fund	84.394	--	509,484	509,484	--
CESA #6					
Carl Perkins	84.048	--	580	580	--
Title IV- Drug Free Schools	84.186	--	2,191	2,191	--
Title IID - Education Technology	84.318	1,373	1,111	1,373	1,111
ARRA-Title IID - Education Technology	84.386	--	2,403	--	2,403
Fox Valley Technical College					
Tech Mini Grant	84.243	--	363	363	--
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
WI Department of Health Services					
Medical Assistance Program	93.778	6,230	37,428	40,736	2,922
TOTALS		<u>\$ 456,442</u>	<u>\$ 1,364,265</u>	<u>\$ 1,210,355</u>	<u>\$ 610,352</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2010**

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Accrued Receivable 6/30/09	Expenditures	Grantor Reimbursements	Accrued Receivable 6/30/10
WI DEPARTMENT OF PUBLIC INSTRUCTION					
Special Education and School Age Parents	255.101	\$ --	\$ 497,954	\$ 497,954	\$ --
State Lunch	255.102	--	7,380	7,380	--
Common School Fund Library Aid	255.103	--	61,823	61,823	--
Pupil Transportation	255.107	--	108,100	108,100	--
WI School Day Milk Program	255.109	--	1,586	1,586	--
General Equalization	255.201	164,778	9,115,449	9,117,034	163,193
CESA #6					
EEN Categorical Aid	255.101	--	6,955	6,955	--
WEA Trust					
Wellness Grant	xxx.xxx	--	750	750	--
WI DEPARTMENT OF REVENUE					
Exempt Computer Aid	xxx.xxx	2,418	2,081	2,418	2,081
TOTALS		<u>\$ 167,196</u>	<u>\$ 9,802,078</u>	<u>\$ 9,804,000</u>	<u>\$ 165,274</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE AWARDS**

For the Year Ended June 30, 2010

Note 1. Basis of Presentation:

The accompanying schedules of expenditures of federal awards and state awards include the federal and state grant activity of Freedom Area School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Special Education and School Age Parents Program:

The 2009-2010 eligible costs under the State Special Education Program as reported by the District are \$1,860,203.



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INDEPENDENT AUDITOR'S 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*

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 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 Freedom Area School District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Freedom Area School District'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 that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management of the District, the Wisconsin Department of Public Instruction, and other federal and state funding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 8, 2010



Erickson & Associates, S.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Board of Education
Freedom Area School District
Freedom, Wisconsin

Compliance

We have audited the compliance of Freedom Area School District (District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and state programs for the year ended June 30, 2010. Freedom Area School District's major federal and state 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 and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *Guidelines* 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 or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management of the District, the Wisconsin Department of Public Instruction, and other federal and state funding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 8, 2010

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report on financial statements:	Unqualified opinion
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified not considered to be material weaknesses?		No
Type of auditor's report on compliance for major programs:		Unqualified opinion
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)?		No
Identification of major federal programs:		
	84.027	IDEA Flow Through
	84.173	IDEA Preschool Entitlement
	84.391	ARRA IDEA Flow Through
	84.392	ARRA IDEA Preschool Entitlement
	84.394	ARRA State Fiscal Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B Programs:		\$300,000
Auditee qualified as a low-risk auditee?		Yes

State Awards

Internal control over financial reporting:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified not considered to be material weaknesses?		No
Type of auditor's report on compliance for major programs:		Unqualified opinion
Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?		No
Identification of major state programs:		
	255.101	Special Education and School Age Parents
	255.201	Equalization Aid

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2010

Financial Statement Findings:

2010-1 Financial Statement Preparation

Condition: The District has historically relied upon its auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls.

Criteria: Pursuant to SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*, we are required to report on whether the District is able to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Cause: The additional costs with hiring staff experienced in preparing financial statements, along with additional training time, outweigh the derived benefits.

Recommendation: The District should continue to evaluate the cost/benefit of outsourcing the task of preparing the financial statements to the external auditors.

Management

Response: The District has evaluated the cost/benefit of outsourcing the task of preparing the financial statements to the auditors. The District has determined that it is in the best interest of the District to continue to do so. The District will carefully review the draft of the financial statements and notes prior to approving them and accept responsibility for their content and presentation.

Federal and State Findings and Questioned Costs: None reported

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
CORRECTIVE ACTION PLAN**

June 30, 2010

Status of Prior Year Findings:

2009-1 Financial Statement Preparation

Management continues to believe the costs of hiring staff experienced in preparing financial statements, along with additional training time, outweigh the benefits.

2009-2 Number and Type of Journal Entries

During the current year, management posted all material journal entries prior to the start of the audit.

2009-3 Special Education and School Age Parents Program

The District corrected this compliance finding in the current year.

Corrective Action Plan:

See management's responses for each finding in the schedule of findings and questioned costs.